INGLEWOOD REDEVELOPMENT AGENCY

Basic Financial Statements

Year Ended September 30, 2008

(with Independent Auditors’ Report Thereon)
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### INGLEWOOD REDEVELOPMENT AGENCY

**Basic Financial Statements and Supplementary Information**

**Year ended September 30, 2008**

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Basic Financial Statements and Supplementary Information
Year ended September 30, 2008

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Honorable Mayor and Agency Council
Inglewood Redevelopment Agency
Inglewood, California

INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Inglewood Redevelopment Agency (Agency), a component unit of the City of Inglewood, California (City), as of and for the fiscal year ended September 30, 2008, which collectively comprise the Agency’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Agency’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Agency as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Agency has not presented management’s discussion and analysis which according to accounting principles generally accepted in the United States of America is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Agency’s basic financial statements. The individual budgetary comparison schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplementary schedules have been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2009 on our consideration of the Agency’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Irvine, California
December 28, 2009
### INGLEWOOD REDEVELOPMENT AGENCY

#### STATEMENT OF NET ASSETS

**September 30, 2008**

<table>
<thead>
<tr>
<th><strong>Governmental Activities</strong></th>
<th><strong>$</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments (note 3)</td>
<td>63,675,202</td>
</tr>
<tr>
<td>Cash and investments with fiscal agent (note 3)</td>
<td>111,293,499</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>49,323</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>670,235</td>
</tr>
<tr>
<td>Due from the City of Inglewood</td>
<td>1,797,965</td>
</tr>
<tr>
<td>Deferred charges</td>
<td>6,310,266</td>
</tr>
<tr>
<td>Deposits and prepaid items</td>
<td>1,213,000</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>5,512,152</td>
</tr>
<tr>
<td>Land held for resale</td>
<td>27,948,432</td>
</tr>
<tr>
<td>Capital assets not depreciated (note 5)</td>
<td>710,000</td>
</tr>
<tr>
<td>Capital assets being depreciated (note 5)</td>
<td>5,425,749</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>224,605,823</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Liabilities</strong></th>
<th><strong>$</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>2,509,989</td>
</tr>
<tr>
<td>Interest payable</td>
<td>7,756,504</td>
</tr>
<tr>
<td>Refundable deposits</td>
<td>271,650</td>
</tr>
<tr>
<td>Long-term debt (note 6):</td>
<td></td>
</tr>
<tr>
<td>Due within one year</td>
<td>3,655,506</td>
</tr>
<tr>
<td>Due in more than one year</td>
<td>164,754,302</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>178,947,951</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net assets:</strong></th>
<th><strong>$</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>6,135,749</td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
</tr>
<tr>
<td>Low and moderate income housing</td>
<td>38,881,044</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>641,079</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>45,657,872</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
## INGLEWOOD REDEVELOPMENT AGENCY

### STATEMENT OF ACTIVITIES

Year ended September 30, 2008

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Program Revenues</th>
<th>Net (Expense)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Charges for</td>
<td>Operating</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Services</td>
<td>Grants and</td>
</tr>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
<td>Contributions</td>
</tr>
<tr>
<td>Community development</td>
<td>$6,185,666</td>
<td>372,344</td>
<td>-</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>8,054,625</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>$14,240,291</td>
<td>372,344</td>
<td>-</td>
</tr>
</tbody>
</table>

General revenues:
- Tax increment: 16,424,143
- Use of money and property: 5,131,555
- Transfers from the City: 1,824,306
- Other revenues: 384,322

Total general revenues: 23,764,326

Change in net assets: 9,896,379

Net assets at beginning of year, as restated (note 11): 35,761,493

Net assets at end of year: $45,657,872

See accompanying notes to basic financial statements
### INGLEWOOD REDEVELOPMENT AGENCY
#### GOVERNMENTAL FUNDS
#### Balance Sheet
#### September 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>Debt Service Funds</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Merged Redevelopment</td>
<td>Subordinate</td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$12,589,649</td>
<td>44,663</td>
</tr>
<tr>
<td>Cash and investments with fiscal agent</td>
<td>5,884,202</td>
<td>-</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>189,064</td>
<td>31,189</td>
</tr>
<tr>
<td>Due from the City of Inglewood</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deposits and prepaid items</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Land held for resale</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets:</strong></td>
<td>$18,662,915</td>
<td>75,852</td>
</tr>
</tbody>
</table>

|                  |                    |            |                |                |                |       |
| **Liabilities:** |                    |            |                |                |                |       |
| Accounts payable | $2,010,775         | -          | -              | -              | 496,289        | 2,925    | 2,509,989 |
| Deferred revenue | -                  | -          | -              | -              | -              | 5,512,152 | 5,512,152 |
| Customer deposits and funds held for others | -                  | -          | -              | -              | 241,650        | 30,000   | 271,650 |
| **Total liabilities:** | $2,010,775        | -          | -              | -              | 737,939        | 5,545,077 | 8,293,791 |

**Fund balance:**

Reserved for:

- Encumbrances | - | - | - | - | 399,494 | 1,140,819 | 1,540,313 |
- Deposits and prepaid items | - | - | - | - | 1,213,000 | - | 1,213,000 |
- Land held for redevelopment | - | - | - | - | 24,877,526 | 3,070,906 | 27,948,432 |
- Low and moderate income housing | - | - | - | - | - | 34,669,319 | 34,669,319 |
- Debt service | 16,652,140 | 75,852 | 71,955,875 | 33,661,410 | - | - | 122,345,277 |
- Unreserved, undesignated | - | - | - | - | 16,149,676 | - | 16,149,676 |

**Total fund balances:** | $16,652,140 | 75,852 | 71,955,875 | 33,661,410 | 42,639,696 | 38,881,044 | 203,866,017 |

**Total liabilities and fund balances:** | $18,662,915 | 75,852 | 71,955,875 | 33,661,410 | 43,377,635 | 44,426,121 | 212,159,808 |

See accompanying notes to financial statements
Fund balances of governmental funds $ 203,866,017

Amounts reported for governmental activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.
- Capital assets 8,197,000
- Accumulated depreciation (2,061,251)

Long-term debt that have not been included in the governmental fund activity:
- Bonds and notes payable (168,093,917)
- Compensated absences (315,891)
- Deferred charges on bonds payable 6,310,266

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds.
- Interest payable (7,756,504)

Deferred revenue balances relating to certain receivables are not reported as liabilities in the Statement of Net Assets since revenue recognition is not based upon measureable and available criteria.

Net assets of governmental activities $ 45,657,872

See accompanying notes to financial statements
## INGLEWOOD REDEVELOPMENT AGENCY
### GOVERNMENTAL FUNDS
### Statement of Revenues, Expenditures, and Changes in Fund Balances
#### Year ended September 30, 2008

### Debt Service Funds

<table>
<thead>
<tr>
<th></th>
<th>Merged Redevelopment Revenue</th>
<th>Subordinate A-H Lien 2007</th>
<th>Subordinate A-T Lien 2007</th>
<th>Merged Low and Moderate Redevelopment Revenue</th>
<th>Income Housing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental property taxes</td>
<td>$ 17,632,190</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of money and property</td>
<td>919,120</td>
<td>41,410</td>
<td>1,705,405</td>
<td>802,354</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>18,551,310</td>
<td>41,410</td>
<td>1,705,405</td>
<td>802,354</td>
<td>861,676</td>
<td>23,520,411</td>
</tr>
</tbody>
</table>

### Expenditures:

|                     | Current                      |                           |                           |                                               |                |       |
|---------------------|------------------------------|---------------------------|---------------------------|                                               |                |       |
| Personnel services  | -                            |                           |                           | 1,623,497                                    | 415,341        | 2,038,838 |
| Maintenance and operations | -                            |                           |                           | 2,854,971                                    | 506,751        | 3,361,722 |
| Capital outlay      | -                            |                           |                           | 34,883                                       |                | 34,883   |
| Debt service:       |                              |                           |                           |                                               |                |       |
| Principal           | 1,380,000                    |                           |                           |                                               |                | 1,380,000 |
| Pass-through payments | 1,208,047                   |                           |                           |                                               |                | 1,208,047 |
| Repayment of advance to the City | -                            |                           |                           | 160,855                                      |                | 160,855  |
| Interest and other charges | 2,125,561                   | 1,367,725                 | 836,467                   | 3,693                                        |                | 4,333,446 |
| Cost of issuance    | -                            | 3,146,805                 | 1,619,477                 | -                                            |                | 4,766,282 |
| **Total expenditures** | 4,713,608                   | -                         | 4,514,530                 | 2,455,944                                    | 4,677,899      | 922,092 |

### Excess (deficiency) of revenues over expenditures

<table>
<thead>
<tr>
<th></th>
<th>13,837,702</th>
<th>41,410</th>
<th>(2,809,125)</th>
<th>(1,653,590)</th>
<th>(3,816,223)</th>
<th>636,164</th>
</tr>
</thead>
</table>

### Other financing sources (uses)

<table>
<thead>
<tr>
<th></th>
<th>26,341</th>
<th>-</th>
<th></th>
<th>112,809</th>
<th>1,685,156</th>
<th>1,824,306</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers from the City</td>
<td>-</td>
<td>7,700,775</td>
<td>-</td>
<td>7,750,000</td>
<td>4,130,664</td>
<td>19,581,439</td>
</tr>
<tr>
<td>Transfers in (note 4)</td>
<td>(11,831,439)</td>
<td>(7,750,000)</td>
<td>-</td>
<td>-</td>
<td></td>
<td>(19,581,439)</td>
</tr>
<tr>
<td>Issuance of long-term debt</td>
<td>-</td>
<td>74,765,000</td>
<td>35,315,000</td>
<td>-</td>
<td></td>
<td>110,080,000</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(11,805,098)</td>
<td>(49,225)</td>
<td>74,765,000</td>
<td>35,315,000</td>
<td>7,862,809</td>
<td>5,815,820</td>
</tr>
</tbody>
</table>

### Net change in fund balances

<table>
<thead>
<tr>
<th></th>
<th>2,032,604</th>
<th>(7,815)</th>
<th>71,955,875</th>
<th>33,661,410</th>
<th>4,046,586</th>
<th>6,451,984</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund balances at beginning of year, as restated (note 11)</strong></td>
<td>14,619,536</td>
<td>83,667</td>
<td>-</td>
<td>-</td>
<td>38,593,110</td>
<td>32,429,060</td>
</tr>
<tr>
<td><strong>Fund balances at end of year</strong></td>
<td>$ 16,652,140</td>
<td>75,852</td>
<td>71,955,875</td>
<td>33,661,410</td>
<td>42,639,696</td>
<td>203,866,017</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements
Net changes in fund balances of governmental funds $ 118,140,644

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense is deducted from the fund balance (249,567)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Principal reduction 1,380,000
Repayment of advance to the City 160,855
Proceeds of bonds (110,080,000)
Additions to deferred charges 4,782,594
Amortization of deferred charges (213,403)

The amounts below included in the Statement of Activities do not provide or (require) the current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Deferred revenue (478,654)
Compensated absences (22,002)
Interest payable (3,524,088)

Change in net assets of governmental activities $ 9,896,379
INGLEWOOD REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements

Year Ended September 30, 2008

(1) Nature and Operations of the Inglewood Redevelopment Agency

The Redevelopment Agency of the City of Inglewood (Agency) is a separate governmental entity which was created on August 7, 1969 pursuant to the Community Redevelopment Law of the State of California Health and Safety Code; however, the Agency is a component unit of the City of Inglewood (City) and its financial activities have been blended with the financial activities of the City for purposes of financial reporting. The Agency has responsibility for elimination of blight within the limits of the City by preparing and carrying out redevelopment plans for area improvements and rehabilitation. To meet these goals, the Agency originally created six project areas: In-Town, La Cienega, North Inglewood Industrial Park ("North Inglewood"), Manchester-Prairie, Century and Imperial. Each redevelopment project involved a separate area of the City. In July of 1996, these project areas were merged to create one project area for financing purposes, facilitating improved use of resources. The general policy of the Agency is to develop such projects only to the point at which they can be sold to third parties or returned to the City as capital improvements.

The members of the City Council of the City also act as members of the Board of Directors of the Agency. Similarly, the officers of the City serve as officers of the Agency. Facilities, equipment and administrative, financial and legal services are provided to the Agency by the City, for which the City is reimbursed. The primary sources of revenue for the Agency are property tax increments, real estate sales, and bond proceeds.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

Government - wide Financial Statements

The statement of net assets and statement of activities display information about the Agency’s activities. These statements include the financial activities of the Agency. These statements present the Agency’s governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities presents a comparison between program expenses and program revenues for each function of the Agency’s governmental activities. Program expenses include such direct expenses that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.
INGLEWOOD REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements

(Continued)

(2)  Summary of Significant Accounting Policies. (Continued)

Government - wide Financial Statements. (Continued)

When an expense is incurred for a purpose for which both restricted and unrestricted net assets are available, management has discretion as to which resources apply. It is the Agency’s policy to use restricted resources before unrestricted resources.

Fund Financial Statements

The fund financial statements provide information about the Agency’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Agency reports the following Debt Service and Capital Projects Funds as major governmental funds:

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. Redevelopment tax allocation debt service funds are as follows:

- Merged Redevelopment Project Area Debt Service Fund
- Merged Redevelopment Revenue Debt Service Fund
- Subordinate Lien 2007 A-1, A-T
- Subordinate Lien 2007 A-H

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Redevelopment capital projects funds are as follows:

- Merged Redevelopment Project Area Capital Projects Fund
- Low / Moderate Income Housing Fund

(b)  Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions in which the Agency gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, special assessments, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.
INGLEWOOD REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies. (Continued)

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources are recognized when they become susceptible to accrual—that is, when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered available and are accrued when received within sixty days after fiscal year-end.

Revenue received from expenditure driven (cost-reimbursement) grants, contracts and other nonexchange transactions, as defined by GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, are considered available and accrued if expected to be received within twelve months after fiscal year-end.

(c) Cash and Investments and Cash and Investments with Fiscal Agent

The Agency’s cash from operations is deposited in the City Treasury. The City pools its funds with other government agencies in the City and invests them as prescribed by the California Government Code. The Agency’s deposits in the City pool may be accessed at any time. The Agency is allocated interest income on monies deposited with the City based on its average yearly proportional share of the pooled cash and investments. All pooled investments and investments with fiscal agent are carried at fair value.

(d) Property Taxes

The valuation of all taxable property is determined as of January 1 each year by the County of Los Angeles. Property taxes are levied and due in two equal installments on the following November 1 and February 1. They become delinquent if not paid by December 10 and April 10, respectively. Property taxes are remitted periodically to the Agency during the fiscal year and are net of a County administrative charge.

(e) Land Held for Resale

Land acquired by the Agency for future development and sale is valued at the lower of cost or net realizable-value and is offset by a reservation of fund balance to indicate that the assets do not constitute available spendable resources.

(f) Capital Assets

Capital assets, which include property (e.g. land), plant (e.g. buildings, improvements), and equipment (e.g. vehicles, computers, office equipment) are reported in the government-wide financial statements. Capital assets are recorded
INGLEWOOD REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies. (Continued)

at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The capitalization thresholds are $5,000 for equipment and all buildings, improvements and infrastructure with a useful life of greater than one year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Center</td>
<td>30 years</td>
</tr>
<tr>
<td>Parking Structures</td>
<td>30 years</td>
</tr>
</tbody>
</table>

(g) Long-term Debt

The Agency reports long-term debt of governmental funds at net book value (i.e., face value adjusted by any premiums, discounts, and deferred amounts on refundings) in the government-wide statement of net assets. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the government-wide statement of net assets. At September 30, 2008, the face value of the debt equaled the net book value. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

(h) Interfund Transactions

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide presentation.

(i) Net Assets/Fund Balances

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Invested In Capital Assets, Net of Related Debt - This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
(2) Summary of Significant Accounting Policies, (Continued)

- Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Assets - This category represents net assets of the Agency, not restricted for any project or other purpose.

(j) Reservations/Designations

In fund financial statements, reservations of fund balance represent amounts that are not appropiable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(k) Budgetary Information

The Governing Board approves each year’s budget submitted by the Executive Director prior to the beginning of the new fiscal year. Supplemental appropriations, where required during the period are also approved by the Governing Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the fund level. At fiscal year-end, all operating budget appropriations lapse. There were no significant changes to the budget during the fiscal year.

Formal budgetary information is employed as a management control device during the year for the Debt Service and Capital Projects Funds. The budgets for all Governmental Funds are adopted on a basis consistent with generally accepted accounting principles.

(l) Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
(3) Cash and Investments

Cash and investments as of September 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:
  Cash and investments $63,675,202
  Cash and investments with fiscal agent 111,293,499
  Total cash and investments $174,968,701

Cash and investments as of September 30, 2008 consist of the following:

  Investments $174,968,701
  Total cash and investments $174,968,701

Equity in the Cash and Investment Pool of the City of Inglewood

The Agency has no separate investments other than the Local Agency Investment Fund, cash and investments held by fiscal agent and the Agency’s equity in the cash and investment pool managed by the City of Inglewood. The Agency is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Inglewood. The Agency has adopted an investment policy separate from that of the City of Inglewood. The fair value of the Agency’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency’s pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

Investments Authorized by Debt Agreements

Investments of debt proceeds with fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency’s investment policy. The table below identifies the investment types that are authorized for investments with fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.
(3) Cash and Investments. (Continued)

<table>
<thead>
<tr>
<th>Authorized Investment Type</th>
<th>Maximum Maturity</th>
<th>Maximum Percentage Allowed</th>
<th>Maximum Investment in One Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Treasury Obligations</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Agency Securities</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Banker’s Acceptances</td>
<td>180 days</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>270 days</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Investment Agreements</td>
<td>30 years</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the Agency’s exposure to interest rate risk as a result of its equity in the cash and investment pool of the City of Inglewood is provided by disclosures in the notes to the basic financial statements of the City of Inglewood that shows the distribution of the City’s investments by maturity.

The following table shows the distribution of the Agency’s investments by maturity, including investments held by bond trustees or fiscal agents:

<table>
<thead>
<tr>
<th>Remaining Maturity</th>
<th>Total</th>
<th>12 Months Or Less</th>
<th>13 to 24 Months</th>
<th>25-60 Months</th>
<th>More Than 60 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund</td>
<td>$40,000,000</td>
<td>40,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>City investment pool</td>
<td>23,675,202</td>
<td>23,675,202</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Held by bond trustee:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>111,293,499</td>
<td>111,293,499</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$174,968,701</td>
<td>174,968,701</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
INGLEWOOD REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements

(Continued)

(3) Cash and Investments. (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency’s investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Total</th>
<th>Minimum Legal Rating</th>
<th>Exempt From Disclosure</th>
<th>Rating as of Year End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund</td>
<td>$40,000,000</td>
<td>N/A</td>
<td>-</td>
<td>40,000,000</td>
</tr>
<tr>
<td>City investment pool</td>
<td>23,675,202</td>
<td>N/A</td>
<td>-</td>
<td>23,675,202</td>
</tr>
<tr>
<td>Held by bond trustee: Money market funds</td>
<td>111,293,499</td>
<td>A</td>
<td>-</td>
<td>111,293,499</td>
</tr>
<tr>
<td>Total</td>
<td>$174,968,701</td>
<td>-</td>
<td>111,293,499</td>
<td>63,675,202</td>
</tr>
</tbody>
</table>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Entity’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.
(3) Cash and Investments, (Continued)

The Agency’s deposits are pooled with the City of Inglewood. Additional disclosures regarding custodial credit risk is applicable to the City as a whole and is included in the City’s basic financial statements.

For the investments with fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

(4) Interfund Transactions

The following schedule briefly summarizes the Agency’s transfer activity:

<table>
<thead>
<tr>
<th>Transfers in</th>
<th>Transfers out</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merged Redevelopment Revenue – Debt Service</td>
<td>Merged Redevelopment – Debt Service</td>
<td>$7,750,000 (A)</td>
</tr>
<tr>
<td>Merged Redevelopment – Capital Projects</td>
<td>Merged Redevelopment Revenue – Debt Service</td>
<td>7,750,000 (B)</td>
</tr>
<tr>
<td>Low and Moderate Housing</td>
<td>Merged Redevelopment – Debt Service</td>
<td>4,130,664 (C)</td>
</tr>
</tbody>
</table>

$19,581,439

The following describes the significant transfers in and transfers out included in the financial statements:

(A) Transfer of excess tax increment revenue to a debt service fund as required by the Bond.
(B) Transfer of excess tax increment revenue to fund ongoing development projects.
(C) To transfer remaining tax increment net of pass through payments, 20% set aside and debt service payments to the Capital Projects Fund.
(5) Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets, not being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 710,000</td>
<td>-</td>
<td>-</td>
<td>710,000</td>
</tr>
<tr>
<td>Capital assets, depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior center</td>
<td>677,000</td>
<td>-</td>
<td>-</td>
<td>677,000</td>
</tr>
<tr>
<td>Parking structures</td>
<td>6,810,000</td>
<td>-</td>
<td>-</td>
<td>6,810,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total capital assets,</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>depreciable</strong></td>
<td></td>
<td></td>
<td><strong>7,487,000</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior center</td>
<td>(153,267)</td>
<td>(22,567)</td>
<td>-</td>
<td>(175,834)</td>
</tr>
<tr>
<td>Parking structures</td>
<td>(1,658,417)</td>
<td>(227,000)</td>
<td>-</td>
<td>(1,885,417)</td>
</tr>
<tr>
<td></td>
<td><strong>Total accumulated depreciation</strong></td>
<td></td>
<td></td>
<td><strong>(2,061,251)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Net depreciable assets</strong></td>
<td></td>
<td></td>
<td><strong>5,425,749</strong></td>
</tr>
</tbody>
</table>

Governmental activities capital assets, net $6,385,316 (249,567) - 6,135,749

* Restatements have been reflected in the October 1, 2007 balances based upon capitalized land that was previously held for resale.

Depreciation

Depreciation expense was charged to governmental functions as follows:

Community Development $249,567
LONG-TERM OBLIGATIONS

Notes Payable

During the 1994 fiscal year, the Agency entered into an agreement with Vons Company, Inc. for the construction of a store within the Manchester-Prairie Project Area, now part of the Merged Redevelopment Project Area. In conjunction with this agreement, the Agency issued a promissory note to repay the developer for value received. Part A of the note requires repayment of $1,500,000 principal with interest accruing at 7.5% on the unpaid principal. Annual payments are to equal 60% of sales tax generated from the site and principal will increase by any excess in accrued interest over payment. Part A of the note expires June 1, 2013. The Agency will be under no further obligation to repay principal and interest after the expiration date except for tax amounts attributable to periods prior to the expiration date. As of September 30, 2008, accrued interest and principal due on the note was $3,336,678. The annual debt service requirement on the note has been estimated based on the current year payment, increasing approximately 3% each year.

Tax Allocation Bonds Payable

Tax Allocation Bonds are secured by all tax increment revenue, which is deposited directly with the fiscal agent and recorded in the Debt Service Funds. Cash and investments in the custody of the fiscal agent are restricted by the bond resolutions for payment of principal and interest on the Tax Allocation Bonds. In addition, the bond resolutions require retention of funds held by the fiscal agent prior to use for other than debt service.

The Agency is in compliance with the covenants contained in the various debt indentures, which require the establishment of certain specific accounts for the Tax Allocation Bonds. The Agency is required to deposit all surplus tax revenues into a special surplus tax revenue fund. During the fiscal year ended September 30, 2008, the Agency deposited surplus revenues in the Merged Redevelopment Revenue Fund as required by the indentures.

INGLEWOOD REDEVELOPMENT AGENCY

Notes to the Basic Financial Statements

(Continued)

(6) Long-Term Obligations, (Continued)

Notes Payable & Tax Allocation Bonds Payable

A summary of long-term debt obligations follows:

<table>
<thead>
<tr>
<th>Type of indebtedness (purpose)</th>
<th>Maturity</th>
<th>Interest Rates</th>
<th>Annual Principal Installments</th>
<th>Original Issue Amount</th>
<th>Outstanding at September 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note Payable:</td>
<td>06/01/13</td>
<td>7.50%</td>
<td>$0-2,757,000</td>
<td>$ 2,000,000</td>
<td>3,336,678</td>
</tr>
<tr>
<td>Vons Company, Inc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Allocation Bond Payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merged Redevelopment Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax allocation refunding</td>
<td>05/01/23</td>
<td>4.00%-5.25%</td>
<td>2,305,000</td>
<td>38,960,000</td>
<td>27,100,000</td>
</tr>
<tr>
<td>bonds series 1998 A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merged Redevelopment Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax allocation refunding</td>
<td>05/01/31</td>
<td>4.30%-4.71%</td>
<td>1,555,000</td>
<td>16,157,175</td>
<td>16,157,175</td>
</tr>
<tr>
<td>bonds series 2003 A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merged Redevelopment Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinate lien tax allocation</td>
<td>05/01/31</td>
<td>5.00%-6.50%</td>
<td>1,390,000</td>
<td>10,993,749</td>
<td>10,993,749</td>
</tr>
<tr>
<td>bonds series 2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merged Redevelopment Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinate lien tax allocation</td>
<td>05/1/38</td>
<td>3.25%-6.30%</td>
<td>4,890,000</td>
<td>110,080,000</td>
<td>110,080,000</td>
</tr>
<tr>
<td>bonds series 2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total notes and tax allocation bonds payable</td>
<td></td>
<td></td>
<td></td>
<td>$178,190,924</td>
<td>167,667,602</td>
</tr>
</tbody>
</table>

As of September 30, 2008, annual debt service requirements of maturity are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending September 30</th>
<th>Note Payable Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$</td>
<td>41,000</td>
</tr>
<tr>
<td>2010</td>
<td>-</td>
<td>42,000</td>
</tr>
<tr>
<td>2011</td>
<td>-</td>
<td>43,000</td>
</tr>
<tr>
<td>2012</td>
<td>-</td>
<td>44,000</td>
</tr>
<tr>
<td>2013</td>
<td>3,336,678</td>
<td>102,800</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,336,678</td>
<td>272,800</td>
</tr>
</tbody>
</table>

19
(6) Long-Term Obligations, (Continued)

Notes Payable & Tax Allocation Bonds Payable, (Continued)

<table>
<thead>
<tr>
<th>Fiscal Year Ending September 30</th>
<th>Tax Allocation Bonds Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal</td>
</tr>
<tr>
<td>2009</td>
<td>$3,460,000</td>
</tr>
<tr>
<td>2010</td>
<td>3,890,000</td>
</tr>
<tr>
<td>2011</td>
<td>4,345,000</td>
</tr>
<tr>
<td>2012</td>
<td>4,343,656</td>
</tr>
<tr>
<td>2013</td>
<td>4,741,674</td>
</tr>
<tr>
<td>2014-2018</td>
<td>26,847,012</td>
</tr>
<tr>
<td>2019-2023</td>
<td>38,842,612</td>
</tr>
<tr>
<td>2024-2028</td>
<td>34,361,030</td>
</tr>
<tr>
<td>2029-2033</td>
<td>28,689,940</td>
</tr>
<tr>
<td>2034-2038</td>
<td>14,810,000</td>
</tr>
<tr>
<td>Total requirements</td>
<td>$164,330,924</td>
</tr>
</tbody>
</table>

The following is a summary of long-term liabilities transactions for the year ended September 30, 2008:

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Balance October 1, 2007</th>
<th>Additions</th>
<th>Retirement</th>
<th>Balance September 30, 2008</th>
<th>Amounts Due within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable</td>
<td>$3,128,390</td>
<td>234,629</td>
<td>(26,341)</td>
<td>3,336,678</td>
<td>-</td>
</tr>
<tr>
<td>Tax allocation bonds payable</td>
<td>55,630,924</td>
<td>110,080,000</td>
<td>(1,380,000)</td>
<td>164,330,924</td>
<td>3,460,000</td>
</tr>
<tr>
<td>Advances from the City</td>
<td>590,863</td>
<td>-</td>
<td>(164,548)</td>
<td>426,315</td>
<td>170,506</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>293,889</td>
<td>25,104</td>
<td>(3,102)</td>
<td>315,891</td>
<td>25,000</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>59,644,066</td>
<td>110,339,733</td>
<td>(1,573,991)</td>
<td>168,409,808</td>
<td>3,655,506</td>
</tr>
</tbody>
</table>

Defeasance of Debt

In prior years, the Agency defeased certain Tax Allocation Bonds by placing the proceeds of new bonds in irrevocable trust account to provide for all future debt service payments on the old bonds. As of September 30, 2008, all current liability on previously defeased bonds had been paid by the escrow agent.
(6) Long-Term Obligations, (Continued)

Advances from the City of Inglewood

On April 23, 2001, the Inglewood Redevelopment Agency purchased from the City of Inglewood the Civic Center Parking Structure #1. The total cost of the purchase was $3,900,000. The terms of the agreement required the Agency to make an initial payment of $2,500,000 at the date of the agreement. The remaining balance of $1,400,000 would be repaid by the Agency to the City over ten years. Interest accrues at 6% per annum. At September 30, 2008, the outstanding balance is $426,315.

(7) Low and Moderate Income Housing Set Aside

The Health and Safety Code Section 33342 requires a Redevelopment Agency to use at least 20% of tax increment revenues generated by a redevelopment project area to increase and improve the supply of low and moderate income housing in the community. State Assembly Bill 2080, enacted in September 1989, requires that for pre-1977 project areas all housing set-aside deferrals beginning with fiscal year 1985/86 shall be considered deficits to the Low/Moderate Income Housing Fund, which the Agency is required to eliminate in subsequent years in accordance with a plan to be determined by the Agency.

For fiscal years 1986 through 2008, the Agency’s commitment for its low and moderate income housing program amounted to $37,740,225, which is fully funded and reflected as a reservation of fund balance for Low/Moderate Income Housing and Land Held for Resale in the Low/Moderate Income Housing Fund.

(8) Self-insurance Program

In conjunction with the City, the Agency is self-insured for the first $1,000,000 of general liability claims and for the first $250,000 of workers’ compensation claims. Information pertaining to the amounts accrued for claims payable may be found in the City’s Comprehensive Annual Financial Report. The annual premium to the Agency in fiscal year 2008 was approximately $110,004.

(9) Retirement Plan

The Agency, as part of the City, contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer PERS that acts as a common investment and administrative agent for municipalities in California. The Agency pays the City’s share of pension costs, which amounted to $306,570 for the fiscal year ended September 30, 2008. Contribution amounts are based upon rates established by PERS for the City’s general employees who have performed services for the Agency. No separate pension benefit obligation is calculated for the Agency; and accordingly, no obligation is presented herein. Further information regarding the Agency’s participation in PERS may be found in the City’s basic financial statements.
(10) Relationship with the City of Inglewood

The Agency does not have any employees and does not own or use facilities separated from the City. Facilities, equipment and administrative, financial and legal services are provided to the Agency by the City, for which the City is reimbursed.

(11) Prior Period Adjustments

During fiscal year 2007-2008, fund balances/net assets were restated based on the following:

- Adjustment to remove land held for resale that had been previously sold.
- Land held for resale was reclassified as capital assets as the land was used in various redevelopment projects in the prior year.
- Adjustment to record compensated absences that had not been recorded in the prior year.
- Adjustment to remove advances from the City of Inglewood from the Governmental Fund Financial Statements and record the Advance as long-term borrowing on the Government-wide Statement of Net Assets.
- Adjustment to record unrecorded amortized expenses on the capital accretion bonds.

The following schedules summarize the effects of the prior period adjustments to the Fund Financial Statements and the Government-wide Statements.

Fund Financial Statements:

<table>
<thead>
<tr>
<th></th>
<th>Merged Redevelopment - Capital Projects</th>
<th>RDA Low Mod Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balance at beginning of year, as previously reported</td>
<td>$39,207,167</td>
<td>33,139,060</td>
</tr>
<tr>
<td>Adjustment to remove land held for resale that had been sold in prior years</td>
<td>(1,204,920)</td>
<td>-</td>
</tr>
<tr>
<td>Adjust to remove advance to the City</td>
<td>590,863</td>
<td></td>
</tr>
<tr>
<td>Adjustment to capitalize land that was previously held for resale</td>
<td>-</td>
<td>(710,000)</td>
</tr>
<tr>
<td>Fund balance at beginning of year, as restated</td>
<td>$38,593,110</td>
<td>32,429,060</td>
</tr>
</tbody>
</table>
# INGLEWOOD REDEVELOPMENT AGENCY

## Notes to the Basic Financial Statements

(Continued)

(11) **Prior Period Adjustments, (Continued)**

**Government-wide Statements:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets at beginning of year, as previously reported</td>
<td>$ 38,417,752</td>
</tr>
<tr>
<td>Adjustment to remove land held for resale that had been sold in prior years</td>
<td>(1,204,920)</td>
</tr>
<tr>
<td>Adjustment to capitalize land that was previously held for resale</td>
<td>(710,000)</td>
</tr>
<tr>
<td>Adjustment to record land as a capital asset that had been previously recorded as land held for resale</td>
<td>710,000</td>
</tr>
<tr>
<td>Adjustment to record compensated absences</td>
<td>(293,889)</td>
</tr>
<tr>
<td>Adjustment to record advance to the City as a long-term liability</td>
<td>590,863</td>
</tr>
<tr>
<td>Adjustment to record unrecorded amortized expenses on the capital accretion bonds</td>
<td>(1,157,450)</td>
</tr>
<tr>
<td>Fund balance at beginning of year, as restated</td>
<td>$ 35,761,493</td>
</tr>
</tbody>
</table>
### Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

**Year ended September 30, 2008**

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Negative)</td>
</tr>
</tbody>
</table>

### Revenues:
- Incremental property taxes: 17,466,000
- Use of money and property: 800,000

**Total revenues**: 18,266,000

### Expenditures:
**Debt service:**
- Principal: 1,325,000
- Interest and other charges: 2,157,738
- Pass-through payments: -

**Total expenditures**: 3,482,738

**Excess (deficiency) of revenues over (under) expenditures**: 14,783,262

### Other financing sources (uses):
- Transfers from the City: 25,000
- Transfers out: 22,519,250

**Total other financing sources (uses)**: 22,494,250

**Change in fund balances**: (7,710,988)

**Fund balances at beginning of year**: 14,619,536

**Fund balances at end of year**: $6,908,548

**Note:** The variance is calculated as the difference between the budget and actual values, with positive values indicating a surplus and negative values indicating a deficit.
**INGLEWOOD REDEVELOPMENT AGENCY**  
Merged Redevelopment Revenue Project - Debt Service Fund  

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended September 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
<th>Positive</th>
<th>(Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of money and property</td>
<td>51,000</td>
<td>41,410</td>
<td>(9,590)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>51,000</td>
<td>41,410</td>
<td>(9,590)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>51,000</td>
<td>41,410</td>
<td>(9,590)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>11,000,000</td>
<td>7,700,775</td>
<td>(3,299,225)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td>(11,000,000)</td>
<td>(7,750,000)</td>
<td>3,250,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>-</td>
<td>(49,225)</td>
<td>(49,225)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in fund balances</td>
<td>51,000</td>
<td>(7,815)</td>
<td>(58,815)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balances at beginning of year</td>
<td>83,667</td>
<td>83,667</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund balances at end of year</strong></td>
<td>$134,667</td>
<td>75,852</td>
<td>(58,815)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### INGLEWOOD REDEVELOPMENT AGENCY  
Subordinate Lien 2007 A-1, A-T - Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
Year ended September 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Negative)</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of money and property</td>
<td>-</td>
<td>1,705,405</td>
<td>1,705,405</td>
</tr>
<tr>
<td>Total revenues</td>
<td>-</td>
<td>1,705,405</td>
<td>1,705,405</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other charges</td>
<td>-</td>
<td>1,367,725</td>
<td>(1,367,725)</td>
</tr>
<tr>
<td>Costs of issuance</td>
<td>-</td>
<td>3,146,805</td>
<td>(3,146,805)</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>-</td>
<td>4,514,530</td>
<td>(4,514,530)</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>-</td>
<td>(2,809,125)</td>
<td>(2,809,125)</td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of debt</td>
<td>-</td>
<td>74,765,000</td>
<td>74,765,000</td>
</tr>
<tr>
<td>Total other financing sources (uses)</td>
<td>-</td>
<td>74,765,000</td>
<td>74,765,000</td>
</tr>
<tr>
<td>Change in fund balances</td>
<td>-</td>
<td>71,955,875</td>
<td>71,955,875</td>
</tr>
<tr>
<td>Fund balances at beginning of year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fund balances at end of year</td>
<td>$</td>
<td>71,955,875</td>
<td>71,955,875</td>
</tr>
</tbody>
</table>
INglewood Redevelopment Agency
Subordinate Lien 2007 A-H - Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended September 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of money and property</td>
<td>-</td>
<td>802,354</td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>-</td>
<td>802,354</td>
<td></td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other charges</td>
<td>-</td>
<td>836,467</td>
<td></td>
</tr>
<tr>
<td>Costs of issuance</td>
<td>-</td>
<td>1,619,477</td>
<td></td>
</tr>
<tr>
<td>Total expenditures</td>
<td>-</td>
<td>2,455,944</td>
<td></td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>-</td>
<td>(1,653,590)</td>
<td>(1,653,590)</td>
</tr>
<tr>
<td>Other financing sources (uses):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of debt</td>
<td>-</td>
<td>35,315,000</td>
<td></td>
</tr>
<tr>
<td>Total other financing sources (uses)</td>
<td>-</td>
<td>35,315,000</td>
<td>35,315,000</td>
</tr>
<tr>
<td>Change in fund balances</td>
<td>-</td>
<td>33,661,410</td>
<td></td>
</tr>
<tr>
<td>Fund balances at beginning of year</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Fund balances at end of year</td>
<td>$</td>
<td>-</td>
<td>33,661,410</td>
</tr>
</tbody>
</table>

29
### INGLEWOOD REDEVELOPMENT AGENCY

**Merged Redevelopment - Capital Projects Fund**

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**

**Year ended September 30, 2008**

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance Positive</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Negative)</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>440,000</td>
<td>372,344</td>
<td>(67,656)</td>
</tr>
<tr>
<td>Use of money and property</td>
<td>-</td>
<td>437,610</td>
<td>437,610</td>
</tr>
<tr>
<td>Other revenues</td>
<td>-</td>
<td>51,722</td>
<td>51,722</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>440,000</td>
<td>861,676</td>
<td>421,676</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel services</td>
<td>1,810,710</td>
<td>1,623,497</td>
<td>187,213</td>
</tr>
<tr>
<td>Maintenance and operations</td>
<td>5,569,358</td>
<td>2,854,971</td>
<td>2,714,387</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>1,786,887</td>
<td>34,883</td>
<td>1,752,004</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of advance to the City</td>
<td>-</td>
<td>160,855</td>
<td>160,855</td>
</tr>
<tr>
<td>Interest and other charges</td>
<td>-</td>
<td>3,693</td>
<td>3,693</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>9,166,955</td>
<td>4,677,899</td>
<td>4,818,152</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenues over (under) expenditures</strong></td>
<td>(8,726,955)</td>
<td>(3,816,223)</td>
<td>5,239,828</td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from the City</td>
<td>2,500,000</td>
<td>112,809</td>
<td>(2,387,191)</td>
</tr>
<tr>
<td>Transfers in</td>
<td>11,000,000</td>
<td>7,750,000</td>
<td>(3,250,000)</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>13,500,000</td>
<td>7,862,809</td>
<td>(5,637,191)</td>
</tr>
<tr>
<td><strong>Change in fund balances</strong></td>
<td>4,773,045</td>
<td>4,046,586</td>
<td>(397,363)</td>
</tr>
<tr>
<td><strong>Fund balances at beginning of year, as restated</strong></td>
<td>38,593,110</td>
<td>38,593,110</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fund balances at end of year</strong></td>
<td>$ 43,366,155</td>
<td>42,639,696</td>
<td>(397,363)</td>
</tr>
</tbody>
</table>
## INGLEWOOD REDEVELOPMENT AGENCY
### Low/Moderate Income Housing - Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Year ended September 30, 2008

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Negative)</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of money and property</td>
<td>860,000</td>
<td>1,225,656</td>
<td>365,656</td>
</tr>
<tr>
<td>Other revenues</td>
<td>150,000</td>
<td>332,600</td>
<td>182,600</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>1,010,000</td>
<td>1,558,256</td>
<td>548,256</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel services</td>
<td>427,339</td>
<td>415,341</td>
<td>11,998</td>
</tr>
<tr>
<td>Maintenance and operations</td>
<td>15,043,857</td>
<td>506,751</td>
<td>14,537,106</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>15,471,196</td>
<td>922,092</td>
<td>14,549,104</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenues over (under) expenditures</strong></td>
<td>(14,461,196)</td>
<td>636,164</td>
<td>15,097,360</td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from the City</td>
<td>-</td>
<td>1,685,156</td>
<td>1,685,156</td>
</tr>
<tr>
<td>Transfers in</td>
<td>3,700,000</td>
<td>4,130,664</td>
<td>430,664</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(13,000,000)</td>
<td>-</td>
<td>13,000,000</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(9,300,000)</td>
<td>5,815,820</td>
<td>2,115,820</td>
</tr>
<tr>
<td><strong>Change in fund balances</strong></td>
<td>(23,761,196)</td>
<td>6,451,984</td>
<td>17,213,180</td>
</tr>
<tr>
<td><strong>Fund balances at beginning of year, as restated</strong></td>
<td>32,429,060</td>
<td>32,429,060</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fund balances at end of year</strong></td>
<td>$ 8,667,864</td>
<td>38,881,044</td>
<td>17,213,180</td>
</tr>
</tbody>
</table>
Honorable Mayor and Agency Council
Inglewood Redevelopment Agency
Inglewood, California

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
 GOVERNMENT AUDITING STANDARDS

We have audited the component unit financial statements of the Inglewood Redevelopment
Agency (Agency) as of and for the year ended September 30, 2008, and have issued our report
thereon dated December 28, 2009. We conducted our audit in accordance with auditing
standards generally accepted in the United States of America and the standards applicable to
financial audits contained in Government Auditing Standards, issued by the Comptroller General
of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency’s internal control over financial
reporting as a basis for designing our auditing procedures for the purpose of expressing our
opinion on the financial statements, but not for the purpose of expressing an opinion on the
effectiveness of the Agency’s internal control over financial reporting. Accordingly, we do not
express an opinion on the effectiveness of the Agency’s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose
described in the preceding paragraph and would not necessarily identify all deficiencies in
internal control over financial reporting that might be significant deficiencies or material
weaknesses. However, as discussed below, we identified certain deficiencies in internal control
over financial reporting that we consider to be significant deficiencies and other deficiencies that
we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management
or employees, in the normal course of performing their assigned functions, to prevent or detect
misstatements on a timely basis. A significant deficiency is a control deficiency, or combination
of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record,
process, or report financial data reliably in accordance with generally accepted accounting
principles such that there is more than a remote likelihood that a misstatement of the Agency’s
financial statements that is more than inconsequential will not be prevented or detected by the
Agency’s internal control. We consider items that have been described in the accompanying
Schedule of Findings and Recommendations to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that
results in more than a remote likelihood that a material misstatement of the financial statements
will not be prevented or detected by the Agency’s internal control.
Honorable Mayor and Agency Council
Inglewood, California
Page Two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01, 2008-02, and 2008-03, and 2008-04 that have been described in the accompanying Schedule of Findings and Recommendations to be material weaknesses.

The City’s written response to the material weaknesses and significant deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of financial statements and, accordingly, we express no opinion on them.

We noted certain matters we reported to the management of the City of Inglewood in a separate letter dated December 28, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. Such provisions included those provisions of laws and regulations identified in the Guidelines for Comptroller Audits of California Redevelopment Agencies, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted other matters involving compliance with respect to the items tested, the Agency complied, in all material respects, with the provisions referred to in the preceding paragraph, except for one instance that is described as follows:

There are two parcels of land held for resale purchased with low and moderate income housing funds that were held beyond five years. Health & Safety Code §33334.16 requires Agencies to initiate activities to develop properties purchased with low and moderate income housing funds within five years from the date of acquisition. If development activities have not begun within this period, the legislative body may adopt a resolution extending the period for one time, not to exceed five years. The two parcels were purchased in 2000 and had not been sold as of September 30, 2008. We were also not provided any evidence that a resolution was adopted extending the time period.

This report is intended solely for the information of management of the Inglewood Redevelopment Agency, Board of Directors and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Mayor Hoffman McCann P.C.

Irvine, California
December 28, 2009
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

Year ended September 30, 2008

(2008-01) Need for Enhanced Controls over Citywide Cash and Investment Reconciliation

We noted that the monthly bank reconciliations of the City’s cash and investment accounts have not been completed in a timely manner. The September 30, 2008 bank reconciliation was completed by the City in November 2009. We also noted that the September 30, 2008 bank reconciliation had significant discrepancies when comparing the cash balance per the general ledger to the reconciled bank balance. These discrepancies were the result of numerous adjustments that had not been properly reflected in the 2008 fiscal year and as a result, the City’s September 30, 2008 reconciliation and respective cash balances were adjusted to correct these issues.

In addition to the reconciliation issues noted above, we also identified a liability account used by the City to track stale and outdated checks. These amounts should be included as outstanding checks in the monthly reconciliation until the point that the City has gone through the proper escheating procedures rather than as a liability of the General fund. Furthermore, the City should take the necessary steps to clean up these stale and outdated checks and review these items on a more regular basis.

Accurate and timely completion of monthly bank reconciliations are important internal controls that help the City identify any potential fraudulent activity and accurately state the financial position of the City’s funds.

Recommendation

We recommend that monthly bank reconciliations be completed in a timely manner to ensure that all activity has been properly reconciled to the accounting records. Furthermore, the City should take the necessary steps to process and monitor uncleared items on a regular basis.

Management’s Response Regarding Corrective Action Taken or Planned

The City recognizes the importance of preparing bank reconciliations on a monthly basis to ensure proper accountability of funds and to accurately state the City’s financial position as well as help identify any potential fraudulent activity. The City also recognizes the need for proper monitoring of stale dated checks and will be taking the necessary steps to review the items in the liability account to ascertain the status of each payment and proceed with the escheating process when necessary.

(2008-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans

The “First Time Homebuyer Mortgage Assistance Loan Program” and the “Home Rehabilitation Loan Program” had a balance of approximately $6.5 million of non-interest bearing loans to qualified participants as of September 30, 2008. Of the total loans, $2.5 million were funded by HUD from HOME/CDBG grants to the City and
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

(Continued)

(2008-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans. (Continued)

the remaining $4.0 million were funded by the Inglewood Redevelopment Agency (RDA) from the 20% property tax set-aside in other Low and Moderate Income Housing Fund. Repayment of the loans is required if the title of the assisted property changes during the term of the loan.

The City began a process of analyzing the status and collectability of these loans, and based on this process, the City has established an allowance for certain loans where the City no longer expects repayment.

Recommendation

We recommend that the City develop and implement a tracking system to properly monitor the accuracy of the outstanding loan portfolio and payments of the loan balances for both the First Time Homebuyers and the Rehabilitation loan programs to prevent a loss in revenue to the City. The City should ensure that all outstanding loans be titled to the City as beneficiary and trustee. We also recommend that the City and the RDA properly monitor its contracts with all outside contracted entities to prevent possible defalcation, abuse or fraud in the accounting for these loans and to perform all of their fiduciary duties under the terms of the grant agreements, OMB requirements and City internal control policies and procedures.

Management’s Response Regarding Corrective Action Taken or Planned

The City has completed a review of the entire loan portfolio in its possession funded through the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnerships Act (HOME) Program and the Community Development Block Grant (CDBG) Program, and created a database of all outstanding homeowners and loan balances. Outstanding loans were identified by property liability profiles as listing the City as the beneficiary and trustee on silent second Mortgage Assistance First Time Home Buyer trust deeds and Housing Rehabilitation deferred payment loan trust deeds. Loan payoff demands require contact with the City and follow-up for loan payoffs to the City. The CDBG Division is responsible for processing the payments through the Finance Department and preparing loan payoff documentation on behalf of the homeowner, for submission to the responsible escrow company for filing with the Office of the County Recorder.

The CDBG Division requires that contracted agencies submit quarterly performance reports and conducts quarterly desk monitoring reviews of the reports. The CDBG Division also conducts annual on-site monitoring visits to assure adherence to all applicable laws and regulations under the terms of the grant agreements.
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

(Continued)

(2008-02) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans, (Continued)

The Redevelopment Agency concurs with the audit recommendation to upgrade, develop and implement a tracking system to effectively monitor the accuracy of the Agency’s outstanding loan portfolio and payments of the loan balances for the First Time Home Buyer program. In January 2010, the Agency will be issuing a Request for Proposal for a Program Administrator (Mortgage Company, escrow or bank etc.) to implement/manage FTHB Program. That contract will include portfolio management and monitoring. The audit recommendation will be incorporated in the new program policies and procedures.

(2008-03) Adjustments Detected Through the Audit Process

Paragraph 19 of Statement on Auditing Standards No. 112 requires that the auditor include in the report of significant control deficiencies any material adjustments detected by the audit process. For the year ended September 30, 2008, material adjustments detected by the audit process were as follows:

- To adjust cash for amounts reported in the September 30, 2008 reconciliation, but not reflected in City’s general ledger. Total net amount of cash reduced in the general ledger was $1,428,134. $536,210 of this adjustment related to prior year transactions which resulted in a restatement of beginning fund balance.
- To adjust $2,575,710 of expenditures recorded in the general fund which was also recorded as expenditures in a debt service fund of the City and to agree operating transfers out to operating transfers in.
- To adjust land held for resale for $254,542 relating to the sale of a property which occurred in June 2008 that was not recorded in the general ledger.
- To reduce deferred revenue by $16,230,027 and recognize revenue in the current and prior fiscal years. $1,526,926 of this adjustment represented taxes receivable relating to delinquent property taxes offset by deferred revenue. The remaining $14,763,100 represented the accumulation of program income for prior years from various funds and programs. These amounts have been recorded to fund balance rather than deferred revenue.
- Capital assets were increased by a net amount of $83,264,625 to record property relinquished by the State to the City in a prior fiscal year. The amount represents the estimated fair value at the date of donation as calculated by City staff.
- Reclassified $710,000 of land held for resale to capital assets of the City as this property was being developed by the City as a Senior Center and housing project in prior fiscal years.
- To reduce fund balance in the Merged Redevelopment Capital Project Fund and the Low & Moderate Income Housing Fund in the amounts of $88,860 and $1,685,156, respectively, to account for expenditures that were unrecorded in the prior fiscal year.
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

(Continued)

(2008-03) Adjustments Detected Through the Audit Process. (Continued)

- To reduce fund balance in the Merged Redevelopment Capital Project Fund and to reduce land held for resale relating to a land sale transacted in prior fiscal years in the amount of $1,204,920.

Recommendation:

We recommend that the City develop and implement procedures to assist Finance Department staff in the process of closing the accounting records at the end of each fiscal year to ensure all material accounting entries have been prepared prior to the auditors conducting the audit. These procedures could involve checklists of processes to be completed and accounts to be reviewed and/or analyzed.

Management’s Response Regarding Corrective Action Taken or Planned

The City recognizes that the general ledger accounts need to be reviewed and/or analyzed and audit preparation needs to be performed at the end of each fiscal year prior to the arrival of the auditors upon the commencement of the final audit. The management of the Finance Department will create a checklist with strict adherence to timelines of balance sheet accounts and other pertinent accounts to be reviewed and/or analyzed by finance department staff with management of the Finance Department reviewing such work performed to ensure that the accounts in the general ledger are not materially misstated.

(2008-04) Need for Improved Controls over Monitoring of Grants and Grant Reimbursements

The City receives grant funding from various agencies on a cost reimbursement basis. Under the terms of the grant funding agreements, the City incurs costs in advance and then requests reimbursement from granting agencies. During our testwork performed over grant receivables we noted one particular grant where expenses were incurred from 2007-2008 which the City considers to be fully reimbursable and was recorded as a grant receivable. Upon further inquiry with the Finance Department, it was noted that the status of this reimbursement was unknown. Therefore, an allowance for uncollectible accounts for the entire amount of the grant receivable was recorded as of September 30, 2008.

There is a lack of inter-department communications and reconciliation with to the grant receivable process which has caused grant eligible reimbursements to go unreported for extended periods of time.
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

(Continued)

(2008-04) Need for Improved Controls over Monitoring of Grants and Grant Reimbursements.
(Continued)

Recommendation

We recommend that reimbursements be submitted to granting agencies on at least a quarterly basis in order to maximize the investment income of the City, reduce the cash flow impacts of delayed reimbursements, and to ensure that such reimbursements are fully collectible and prepared properly.

We also recommend that the City develop controls to properly track outstanding receivables and to follow-up with stale receivables in a timely manner. Known uncollectible receivables should also be completely written off from the City’s general ledger.

Management’s Response Regarding Corrective Action Taken or Planned

The Administration Department is drafting a new Grant Management Policies and Procedures section for the City of Inglewood Administrative Manual. The development and implementation of this section will ensure proper management of all grants including timely and accurate reporting. In addition, the Administration Department has instructed the ITC Department to develop a web-based, grant management tickler system. This system will track grant reporting deadlines and will notify staff when a deadline is approaching, giving adequate time to develop reports and submit for approval, with final submittal to the granting entity. The Grant Management Policies and Procedures section of the Administrative Manual will be completed by the end of December 2009. The web-based, grant management tickler system will be completed in the first quarter of calendar year 2010.

In addition to the Grant Management Policies and Procedures addressing grants monitoring, reimbursements, and timely reporting, the Finance Department will also be monitoring and reconciling the receivables at least annually and writing off any known uncollectible receivables.

(2008-05) Need to Develop Written Policies and Procedures for Information Technology

General controls are the policies and procedures that apply to all or a large segment of an entity’s information systems and help ensure their proper operation. Examples of primary objectives for general controls are to safeguard data, protect business process application programs, and ensure continued computer operations in case of unexpected interruptions. The effectiveness of general controls is a significant factor in determining the effectiveness of business process application controls. Without effective general controls, business process application controls can generally be rendered ineffective by circumvention or modification. For example, automated edits designed to preclude users from entering unreasonably large dollar amounts in a payment processing system can be an effective application control. However, this
(2008-05) Need to Develop Written Policies and Procedures for Information Technology.

control can not be relied on if the general controls permit unauthorized program modifications that might allow some payments to be exempted from the edits or unauthorized changes to be made to data files after the edit is performed. The entity should be aware of these risks and should develop appropriate policies and procedures to respond to any IT system issues that might occur.

During our review of IT general controls we noted the City does not have formal policies and procedures for most general control areas. Examples of policies and procedures the City should formalize include:
1. Information Security
2. Software Development Methodology
3. Change and Problem Management
4. System and Network Monitoring
5. Data Backup and Recovery
6. Records Management and Data Retention
7. Disaster Recovery and Business Continuity Planning

We understand the City is currently documenting policies for Disaster Recovery Preparedness and Records Management / Data Retention.

Recommendation

We recommend the City develop written policies and procedures for information technology general controls.

Management’s Response Regarding Corrective Action Taken or Planned

The ITC Department has launched an internal project to compile and formalize policies and procedures for computer operations based upon best practices to include data backup and recovery, problem management, system monitoring and error handling, network monitoring, information security, software development methodology, records management and data retention and disaster recovery and business continuity planning. This project has been assigned resources, and it is anticipated that a first draft of the policies and procedures manual will be completed on February 1, 2010.
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

(Continued)

(2008-06) Need for Enhanced Security Controls over Information Technology Systems

Access controls limit or detect inappropriate access to computer resources, thereby protecting them from unauthorized modification, loss, and disclosure. Logical access controls require users to authenticate themselves (through the use of secret passwords or other identifiers) and limit the files and other resources that authenticated users can access and the actions that they can execute. Without adequate access controls, unauthorized individuals, including outside intruders and former employees, can surreptitiously read and copy sensitive data and make undetected changes or deletions for malicious purposes or personal gain. In addition, authorized users can intentionally or unintentionally read, add, delete, modify, or execute changes that are outside their span of authority. Inadequate access controls diminish the reliability of computerized data and increase the risk of destruction or inappropriate disclosure of data.

During our review of security controls and password settings, we noted that certain procedures could be upgraded to be more inline with certain industry standards. For example, we noted the City does not employ password complexity requirements on the Windows Active Directory system. The Windows AD system is also used to provide users single sign-on to Eden, the Enterprise Resource Planning tool used by the City. The following are industry standard user account policies that, if implemented, should provide for increased security over system resources:

- Individual users should be uniquely identified rather than having users within a group share the same ID or password; generic user IDs and passwords should not be used.
- Passwords should be required to be changed periodically, between 30 to 90 days.
- Passwords should be required to contain both alphanumeric and special characters.
- A minimum character length, at least 8 characters, should be required for passwords.
- Use of old passwords (for example, within 6 generations) should be prohibited.
- Unsuccessful attempts to login should be limited to between 3 and 5 attempts.

In addition, the City does not conduct periodic reviews of users’ access to the network and Eden to ensure user access is appropriate.

We understand the City IT & Communication Department is in the process of updating these controls. The City is planning to implement stronger password controls for the Windows Active Directory and Eden software in December 2009.
(2008-06) Need for Enhanced Security Controls over Information Technology Systems
(Continued)

Recommendations

We recommend the City continue making efforts to enhance user access security controls to be in-line with industry best practices, as described above. In addition, we recommend the City implement a periodic (i.e., semi-annual) review of user access to system resources to ensure user access is appropriate.

Management’s Response Regarding Corrective Action Taken or Planned

The ITC Department has launched an internal project to compile and formalize policies and procedures based upon best practices as they relate to information security. This project has been assigned resources, and it is anticipated that a first draft of the policies and procedures manual will be completed on February 1, 2010.

The ITC Department is preparing to institute a new password policy. All passwords, including initial passwords, will be constructed and implemented according to the following rules:

- Users will be required to change their password at least every 90 days.
- The minimum age of a password will be 30 days.
- There will be a password history of 5 passwords to prevent the immediate reuse of a password. This means that a previously used password cannot be reused until it expires (e.g., falls off the password history list).
- Passwords will adhere to a minimum length of eight (8) characters.
- Passwords will be comprised of a combination of capital and lowercase alpha characters, as well as numeric and special (e.g., non-alphabetic) characters that comprise a strong password, which is defined as containing at least 3 of the following 4 components:
  A. English uppercase characters (A through Z)
  B. English lowercase characters (a through z)
  C. Numeric digits (0 through 9)
  D. Non-alphabetic characters such as !, $, #, %, and &.
- Passwords will not be anything that can easily tied back to the account owner such as: user name, social security number, nickname, relative’s names, birth date, etc.
- Passwords should not be dictionary words or acronyms.
(2008-06) Need for Enhanced Security Controls over Information Technology Systems, (Continued)

- Security tokens (e.g., Smartcards) if applicable will be returned upon demand or upon termination of the relationship with the City of Inglewood.
  - If the security of a password is in doubt, the password will be changed immediately.
  - Administrators will not circumvent the Password Policy for the sake of ease of use.
  - Before being left unattended, computing devices are to be logged off, or the password-protected screensaver is to be enabled.

The effective date for citywide implementation is Monday, December 14, 2009.


Adequate physical security controls should be established that are commensurate with the risks of physical damage. Physical security controls restrict physical access to computer resources and protect them from intentional or unintentional loss or impairment. Physical controls also include environmental controls, such as smoke detectors, fire alarms, extinguishers, and uninterruptible power supplies.

During our review of physical security controls we noted the City does not require visitors to the computer room to sign-in.

Recommendations

We recommend the City require visitors to the computer room sign-in to create an audit trail of guests. The sign-in log should periodically be reviewed to ensure only appropriate personnel are accessing computer resources.

Management’s Response Regarding Corrective Action Taken or Planned

Entry to the City’s data center is currently restricted via the use of our citywide access control system (Hirsch), which the Facilities Division of Public Works currently manages. There is, however, no access log listing who has gained access. Upon review of the list of employees currently authorized to enter the City’s data center, ITC will be implementing tighter restrictions as to who is authorized to enter (including ITC staff with no reason to gain entry).
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

(Continued)


In addition, ITC network administrators will assume control of ITC-related access points through Hirsch in order to maintain the tightened level of control. This will be implemented by December 14, 2009.

Finally, access to ITC’s main area has Hirsch-based access available, but it is not currently in use during normal business hours. In order to enhance security, this will be activated so as to allow only City staff to gain access during normal business hours (e.g., an employee or authorized consultant will have to use his or her badge to gain access to ITC) along with a written access log.

(2008-08) Need for Improved Accounting Over Land Held for Resale

During our testwork performed over land held for resale we noted the following:

- One property, reported at $1,204,920 in the City’s general ledger as land held for resale, had been sold in prior years and the City no longer held title to that property as of October 1, 2007. The correct recording of this transaction resulted in an adjustment to beginning fund balance of the Redevelopment Agency Capital Project fund.

- During the current year, the City sold a property that had been classified as land held for resale previously purchased with low and moderate income housing tax increment revenues, but that transaction had not been properly reflected in the City’s general ledger as a reduction of the asset. The amount of the property removed from the City’s general ledger was $254,542.

- Another property, reported at $710,000, that had been classified as land held for resale, which was previously purchased with low and moderate income housing tax increment revenues, had been converted to a Redevelopment Agency asset to be used to provide low income housing to seniors. This project had commenced prior to October 1, 2007 which resulted in an adjustment to beginning fund balance of the Redevelopment Agency Low and Moderate Income Housing Special fund.

Recommendation

We recommend that the City develop controls for the Finance Department to properly remove properties that have been sold or converted to Agency projects from the City’s general ledger. Furthermore, we recommend that the Community Development Department communicate these transactions to the Finance Department in a timely manner.
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

(Continued)

(2008-08) Need for Improved Accounting Over Land Held for Resale. (Continued)

Management’s Response Regarding Corrective Action Taken or Planned

The City recognizes the need for good intercommunications between the Finance Department and other city department staff to ensure the accounting records are complete and accurate and do not contain misstatement. The appropriate staff of the Community Development and Finance Departments will be communicating with one another on future transactions and the land held for resale listing to be compared at least annually.

(2008-09) Need for Independent Review of Check Register

During our review and testing of internal controls over cash disbursements, we noted that the Accounts Payable Supervisor has the ability to post invoices and prepare checks and is currently the only individual responsible for reviewing printed disbursements against the system generated check register. Having one employee with access and the ability to prepare checks in addition to having the responsibility of reviewing the check register for processing may allow that individual to process an inappropriate disbursement and it go undetected by the City.

Best practices recommend that an individual independent of the cash disbursement process review the check register to ensure that each of the checks printed were properly approved, supported by appropriate documentation, and properly recorded in the City’s accounting system.

Recommendation

We recommend that an individual independent of the cash disbursement process review the checks against the check register generated from the City’s accounting system to ensure that there have been no unauthorized checks printed.

Management’s Response Regarding Corrective Action Taken or Planned

Currently, the Accounts Payable Supervisor posts the invoices and prepares the batch for creation of the checks. Although there are sufficient controls in place in regards to the segregation of duties between the employee responsible for creating the check batch and the employee physically placing the blank check stock in the printer, there should be further control over the Accounts Payable Supervisor’s ability to enter and post invoices prior to the creation of the check batch.

An additional control to be implemented will be for a Senior Accountant to obtain a copy of the Invoice Posting Listing prior to the Accounts Payable Supervisor creating the check batch for printing and have the Senior Accountant compare it to the Warrant Register after the printing of the checks. This will ensure that no other invoices will be entered or posted by the Accounts Payable Supervisor prior to the printing of the checks.
CITY OF INGLEWOOD

Schedule and Findings and Recommendations

(Continued)

(2008-10) Investment Income Methodology

During our review over the City’s procedures for allocating investment income we noted that negative investment income is assigned to funds with deficit cash balances. Typically, a zero balance is assigned and the negative portions are allocated to the General Fund. Although, the City’s practice is technically incorrect, it seems that it has the most effect on the Section 8 Housing fund. As negative interest is applied it essentially is recorded as an expense which reduces the administrative portion of the City's funding. In addition, the practice creates a negative revenue amounts which affects financial statement presentation.

Recommendation

We recommend that the City adjust its methodology for allocating investment income between funds and no longer assign negative income to those funds with a negative cash balance.

Management’s Response Regarding Corrective Action Taken or Planned

The City has been allocating interest income to all funds regardless of whether there is a positive or negative cash balance in the fund. For those funds with a negative fund balance, the fund was charged a negative interest income (expense). The City will be changing its methodology and allocating interest income to only funds with a positive cash balance.