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**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH THE PROPOSITION 111
2007-2008 APPROPRIATION LIMIT INCREMENT**

Honorable Mayor and Members
of the City Council
City of Modesto

We have applied the procedures below to the Appropriations Limitation Worksheet for the City of Modesto for the year ended June 30, 2008. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. This report is intended for the information of management and the Honorable Mayor and Members of the City Council; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures you requested us to perform and our findings were as follows:

- A. We obtained the Appropriations Limitation Worksheet and determined that the City calculated its 2007-2008 Appropriations Limit at \$317,409,812 and annual adjustment factors used were adopted by resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
- B. For the Worksheet, we recomputed the 2007-2008 Appropriations Limit by multiplying the 2006-2007 Appropriations Limit by the 2007-2008 Adjustment Factors.
- C. For the Appropriations Limitation Worksheet, we agreed the County Population and Per Capita Income Factors to California State Department of Finance Worksheets.

These agreed-upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the Appropriations Limitation Worksheet. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention which caused us to believe that the City's Appropriations Limitation Worksheet was not computed in accordance with Article XIII B of the California Constitution, as interpreted in the California League of Cities Article XIII B Appropriations Limit Uniform Guidelines. Had we performed additional procedures or had we made an audit of the Appropriations Limitation Worksheet and the other completed worksheets described above, matters might have come to our attention which would have been reported to you.

Maze & Associates

December 18, 2008