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**AGREED UPON PROCEDURES REPORT ON
COMPLIANCE WITH THE PROPOSITION 111
2005-2006 APPROPRIATIONS LIMIT INCREMENT**

Honorable Mayor and Members of the City Council
City of Hayward, California

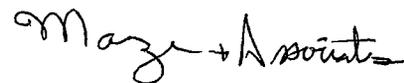
We have applied the procedures below to the Spending Limit Calculation Worksheet (Worksheet) for the City of Hayward for the year ended June 30, 2006. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines (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 as been requested or for any other purpose. This report is intended for the information of management and the City Council; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

At your request, based on the League of California Cities' interpretation of Article XIII B of the California Constitution, the scope of our work excluded any tests or other procedures regarding the accuracy of the 1978-79 or 1986-87 "base year" appropriations limit calculations.

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

- A. We obtained the Worksheet and determined that the 2005-2006 Appropriations Limit amounting to \$184,787,972 and annual adjustment factors were adopted by resolution of the City Council. We also determined that the inflation option was selected by a recorded vote of the City Council. The City Council adopted the City of Hayward population change as one of the adjustment factors.
- B. We recomputed the 2005-2006 Appropriation Limit by multiplying the 2004-05 Appropriations Limit by the 2005-2006 Adjustment Factors.
- C. For the Appropriations Limitation Worksheet, we agreed the per Capita Income and County Population 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. 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.



May 11, 2006