



Padgett Stratemann

Independent Accountant's Report on Applying Agreed-Upon Procedures

Ms. Sylnovia Holt-Rabb, Assistant Director
City of Austin
Economic Development Department

We have performed the procedures enumerated below, which were agreed to by the City of Austin (the "City"), solely to assist the specified user in evaluating the City's assertion that Apple, Inc. ("Apple") has complied for the reporting year 2013 with certain provisions, as described below, of the Chapter 380 Economic Development Agreement (the "Agreement"), approved by the City Council on March 22, 2012 through Ordinance No. 20120322-089 and executed by the City Manager on March 25, 2012. The City is the specified user of this report. The City's management is responsible for the determination of compliance by Apple with the Agreement. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified user 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.

Our procedures and findings are as follows:

1. With reference to Section 1.01 of the Agreement:
 - a. We obtained from the City a map printed from the City of Austin Development Web Map at www.austintexas.gov/GIS/DevelopmentWebMap/Viewer.aspx. We inspected the map and confirmed the addresses of 5401 West Parmer Lane and 5501 West Parmer Lane are in the City's Desired Development Zone. No exceptions were found as a result of the foregoing procedures.
 - b. We obtained from Apple a schedule of Apple's Phase 1 Investment in New Improvements and New Machinery and Equipment. We inspected the schedule and confirmed the total Investment in New Improvements and New Machinery and Equipment is \$112,929,123.90. No exceptions were found as a result of the foregoing procedures.

AUSTIN

811 BARTON SPRINGS ROAD, SUITE 550
AUSTIN, TEXAS 78704
512 476 0717

HOUSTON

1980 POST OAK BOULEVARD, SUITE 1500
HOUSTON, TEXAS 77056
800 879 4966

SAN ANTONIO

100 N.E. LOOP 410, SUITE 1100
SAN ANTONIO, TEXAS 78216
210 828 6281

TOLL FREE: 800 879 4966
WEB: PADGETT-CPA.COM

- c. Using the schedule obtained in Procedure 1b, we selected a sample of five items representing 15% of the Phase 1 Investment in New Improvements and New Machinery and Equipment listed in the schedule. For the sample selected, we inspected the invoice or other supporting documentation and confirmed each invoice or supporting documentation agreed to the schedule provided by Apple. No exceptions were found as a result of the foregoing procedures.
- d. With reference to Section 1.01 of the Agreement we obtained from the City a copy of Apple Senior Project Manager Pat Moore's acknowledgement that during the term of the Agreement, Apple (1) complied with all applicable state and federal laws relating to construction, including laws related to labor, equal employment opportunity, safety, and minimum wage and (2) made commercially reasonable efforts to work with the Workers Defense Project in an effort to meet this obligation. No exceptions were found as a result of the foregoing procedures.

2. With reference to Section 1.02 of the Agreement:

- a. We obtained from Apple a report listing Apple employees in New Full-time Jobs on December 28, 2013. We inspected the payroll report and confirmed the report included the name, work location, hire date at Americas Operation Center, and compensation rate compensated during the year ended December 31, 2013 for each employee. No exceptions were found as a result of the foregoing procedures.
- b. Using the report obtained in Procedure 2a, we confirmed 911 Apple employees were in New Full-time Jobs on December 28, 2013. No exceptions were found as a result of the foregoing procedures.
- c. Using the report obtained in Procedure 2a, we selected a sample of 91 employees representing 10% of the employees listed in the report. For the sample selected, we inspected the paystub or other supporting documentation for the payroll period including December 28, 2013 and confirmed each paystub or other supporting documentation agreed to the report provided by Apple. No exceptions were found as a result of the foregoing procedures.
- d. We obtained from Apple a report listing Existing Full-time Apple employees on December 31, 2013. We inspected the report and confirmed the report included the name, work location, hire date at Americas Operations Center, and compensation rate compensated during the year ended December 28, 2013 for each employee. No exceptions were found as a result of the foregoing procedures.
- e. Using the report obtained in Procedure 2d, we confirmed 2,507 Apple employees were reported in Existing Full-time Jobs on December 28, 2013. No exceptions were found as a result of the foregoing procedures.

- f. We obtained from Apple a report listing each Apple independent contractor or employees of an Apple independent contractor in a New Full-time Job on December 28, 2013. We inspected the report and confirmed the report included the name, work location, hire date at Americas Operation Center, and compensation rate compensated during the period for each independent contractor or employee of an Apple independent contractor. No exceptions were found as a result of the foregoing procedures.
 - g. Using the report obtained in Procedure 2f, we confirmed 673 Apple independent contractors or employees of independent contractors were reported in a New Full-time Job on December 28, 2013. No exceptions were found as a result of the foregoing procedures.
 - h. Using the report obtained in Procedure 2a, we recalculated the average annual salary, including bonuses but excluding benefits of the 911 New Full-time Jobs created by Apple as of December 31, 2013 was at least \$54,000. No exceptions were found as a result of the foregoing procedures.
3. With reference to Section 1.03(a) and 1.03(c) of the Agreement:
- a. We obtained from Apple, a report summarizing Apple's efforts from May 2012 through December 2013 to work with Austin area non-profit organizations and governmental agencies to recruit residents of the Austin area. We inspected the report and confirmed that according to the report, Apple worked with Workforce Solutions, Capital IDEA, Austin Community College, City of Austin, Austin Chamber of Commerce, Austin Asian Chamber of Commerce, Goodwill, and Capital City African American Chamber of Commerce (now Greater Austin Black Chamber of Commerce). Using the report, we also confirmed Apple participated in five job fairs between June 2012 and September 2013: Veterans Affairs Vocational Rehab Career Fair held on June 27, 2012; Right Management Career Fair (AMD RIF) held on December 4, 2012; City of Austin Career Expo held on April 16, 2013; LATCareers (Bilingual, Latino and Diversity Career Fair) held on June 20, 2013; and MECA Career and Opportunities Expo held on September 13, 2013. No exceptions were found as a result of the foregoing procedures.
 - b. We obtained from the City a copy of the program from the 7th Annual Multicultural Career and Opportunities Expo held September 13, 2013 at ACC Eastview Campus. We inspected the program and confirmed that it lists Apple as a participant. No exceptions were found as a result of the foregoing procedures.
 - c. We obtained from the City a copy of a report from the City of Austin website www.austintexas.gov/article/career-expo-2013-deemed-success. We inspected the report and confirmed the report lists Apple as a participating employer at the City of Austin Career Expo held April 16, 2013. No exceptions were found as a result of the foregoing procedures.

- d. We obtained from Apple various e-mail communications. We inspected the e-mail communication and confirmed the e-mail communications (1) demonstrate Apple's collaboration with Austin Community College, Capital IDEA, and Goodwill between May 2012 and December 2013; (2) Apple's participation at the Veterans Affairs Vocational Rehab Career Fair held June 27, 2012; and (3) LATCareers (Bilingual, Latino and Diversity Career Fair) held on June 20, 2013. No exceptions were found as a result of the foregoing procedures.
- e. We obtained verbal confirmation from Apple HR Manager Bodie Nash and Corporate Recruiting Manager Courtney Robles that Apple posts Apple's Equal Employment Opportunity ("EEO") policy in common areas frequented by employees; every employment application contains Apple's EEO policy; online Apple policy resources are provided to hiring managers on subjects including affirmative action, reasonable accommodations, EEO and inclusion and diversity. We also confirmed through verbal confirmation from Apple HR Manager Bodie Nash and Corporate Recruiting Manager Courtney Robles that Apple employees are required to take annual Business Conduct training. No exceptions were found as a result of the foregoing procedures.

4. With reference to Section 1.04(a) of the Agreement:

- a. We obtained from the City a report provided by Apple which detailed five non-construction scopes of work performed in 2013. We inspected the report and confirmed the following:
 - i. the report identified the SMBR-certified firms qualified to perform the five scopes of work and noted those businesses were included on the Bidders List;
 - ii. the report identified 19 SMBR-certified firms solicited for one of the five scopes of work;
 - iii. the report identified the two firms which submitted complete proposals for the scope of work noted at Procedure 4.a.ii.;
 - iv. the report identified four other vendors that responded to the request for proposal for the scope of work noted at Procedure 4.a.ii., but did not provide complete proposals;
 - v. the report identified nine other certified vendors solicited for the remaining four scopes of work;
 - vi. the report noted that of the nine certified vendors identified at Procedure 4.a.v. none provided complete proposals; and
 - vii. the report identified two certified vendors that responded to the request for proposal for the remaining four scopes of work identified at Procedure 4.a.v., but noted that the proposals were not complete.

No exceptions were found as a result of the foregoing procedures.

- b. We obtained from the City a copy of Apple's "Bid Process – Apple, Inc. Americas Operations Center" document. We inspected the process documentation and confirmed the process included the following procedures:
 - i. Apple will notify SMBR of the services going out for bid and obtain a list of SMBR-certified vendors,
 - ii. using the list provided by SMBR, Apple will vet the SMBR vendors and solicit bids from those vendors, using two methods of communication, and
 - iii. Apple will also communicate via e-mail to those vendor trade associations identified by SMBR of the upcoming bid and anticipated release dates.

No exceptions were found as a result of the foregoing procedures.

- c. We obtained verbal confirmation on July 15, 2014 from Alex Alvarez of Apple that although they did not use any non-construction vendors certified by SMBR, Apple used an alternate process to identify businesses certified as minority-owned, women-owned, service-disabled, or veteran-owned. No exceptions were found as a result of the foregoing procedures.
 - d. We obtained from the City a copy of e-mail communication dated December 2, 2014 from Alex Alvarez of Apple to Terry Franz of EDD. We inspected the e-mail communication and confirmed that the results of the process identified at Procedure 4c identified 32 vendors with whom Apple spent more than \$5 million dollars in 2013. We also confirmed that the e-mail communication included names and contact information of those vendors identified at Procedure 4c and located in Austin. No exceptions were found as a result of the foregoing procedures.
 - e. We obtained from the City a copy of Apple's Supplier Diversity Program. We inspected the document and confirmed that the document is dated June 1, 2012. No exceptions were found as a result of the foregoing procedures.
5. With reference to Section 1.04(b) through 1.04(f) of the Agreement, we obtained from the City a copy of a memorandum dated March 3, 2014 from Veronica Lara, Director of the City's Small and Minority Business Resources Department ("SMBR"), to Kevin Johns, Director of the City's EDD. We inspected the memorandum and confirmed Apple complied with the MBE/WBE procurement ordinance requirements regarding construction and professional services during 2013. No exceptions were found as a result of the foregoing procedures.

6. With reference to Section 1.05 of the Agreement, we obtained from the City a copy of the query of the City of Austin Interactive Development Review Permitting and Inspection Database for a search of records with “Apple” in the Project Name for the period from March 22, 2012 through December 31, 2013. Using the query, we inspected and identified site plan or subdivision applications and/or amendments filed by Apple during the period. We obtained an e-mail dated April 21, 2014 from Susan Scallon of the City’s Watershed Protection Department (“WPD”) to Terry Franz of EDD. We inspected the e-mail and confirmed Apple did not assert any Chapter 245 rights in connection with any of its site plan or subdivision applications or amendments between March 22, 2012 and December 31, 2013. No exceptions were found as a result of the foregoing procedures.
7. With reference to Section 1.05 of the Agreement, we obtained from the City an e-mail dated June 2, 2014 from the City of Austin WPD to the EDD concerning inspection of water quality ponds. We inspected the e-mail and confirmed that according to the e-mail, the Apple ponds have been inspected and are in good working order. No exceptions were found as a result of the foregoing procedures.
8. With reference to Section 1.06 of the Agreement, we obtained from the City, Apple's 2013 Certificate of Compliance along with e-mail communications between Apple and the EDD. We inspected the Certificate of Compliance and e-mail communications provided by the City and confirmed Apple’s signed 2013 Certificate of Compliance was received by the City on March 14, 2014. No exceptions were found as a result of the foregoing procedures.
9. With reference to Section 1.07 of the Agreement, we obtained from the City Apple’s acknowledgement to the City’s EDD regarding the stipulation that Apple has not employed undocumented workers. We inspected the acknowledgement and confirmed according to the acknowledgement, during the term of the Agreement Apple has:
 - (1) not been notified of any complaint alleging that it has employed undocumented workers;
 - (2) agreed that if it is notified of any such complaint during the term of the Agreement it will notify the City, and
 - (3) not been convicted of any violation under 8 U.S.C. Section 1324a(f).No exceptions were found as a result of the foregoing procedures.
10. With reference to Sections 2.01 of the Agreement:
 - a. We obtained from the City the Travis Central Appraisal District report showing the certified 2013 value of Parcel 824753. We inspected the report and confirmed the 2013 assessed value of the improvements was \$0. No exceptions were found as a result of the foregoing procedures.

- b. We obtained from the City the Travis Central Appraisal District report showing the certified 2013 value of Parcel 505895, with Geographic ID 0268031001. We inspected the report and confirmed the 2013 assessed value of the improvements was \$3,017,802; the 2013 assessed value of the land was \$3,222,645 and the total 2013 assessed value of the parcel was \$6,240,447. No exceptions were found as a result of the foregoing procedures.
- c. We obtained from the City the Travis County Tax Statement showing taxes due January 31, 2014 for Parcel ID 505896, with Geographic ID 0268031001. We inspected the statement and confirmed the 2013 appraised value of the aforementioned property was \$6,240,447 and the City of Austin tax rate was \$0.5027 per \$100 valuation. No exceptions were found as a result of the foregoing procedures.
- d. We confirmed the product of \$3,017,802 multiplied by \$0.005027 is \$15,170.49. No exceptions were found as a result of the foregoing procedures.
- e. We obtained from the City the Travis County Tax Statement printed April 30, 2014 for Parcel ID 505895, with Geographic ID 0268031004. We inspected the statement and confirmed it shows no taxes due for the aforementioned property. No exceptions were found as a result of the foregoing procedures.
- f. We obtained from the City the Travis Central Appraisal District report showing the certified 2013 value of Parcel 779129, with Geographic ID 0268031004. We inspected the report and confirmed the 2013 assessed value of the improvements was \$0; the 2013 assessed value of the land was \$1,055,894 and the total 2013 assessed value of the parcel was \$1,055,894. No exceptions were found as a result of the foregoing procedures.
- g. We obtained from the City the Travis County Tax Statement showing taxes due January 31, 2014 for Parcel ID 779129, with Geographic ID 0268031004. We inspected the statement and confirmed the 2013 appraised value of the aforementioned property was \$1,055,894 and the City of Austin tax rate was \$0.5027 per \$100 valuation. No exceptions were found as a result of the foregoing procedures.
- h. We obtained from the City the Travis County Tax Statement printed April 30, 2014 for Parcel ID 779129, with Geographic ID 0268031004. We inspected the statement and confirmed it shows no taxes due for the aforementioned property. No exceptions were found as a result of the foregoing procedures.

We were not engaged to, and did not conduct, an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City and is not intended to be, and should not be, used by anyone other than this specified party.

Padgett, Stratemann + Co., L.L.P.

January 15, 2015