



Padgett Stratemann & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Rodney Gonzales, Acting Director
City of Austin
Economic Growth and Redevelopment Services Office
301 West 2nd Street
Austin, Texas 78701

We have performed the procedures enumerated below, which were agreed to by the City of Austin ("City") solely to assist the specified user in evaluating the City's assertion that Home Depot U.S.A., Inc. ("Home Depot") has complied with certain provisions, as described below, of the Chapter 380 Economic Development Agreement ("Agreement"), approved by the City Council on February 7, 2005. The City is the specified user of this report. The City's management is responsible for the determination of compliance by Home Depot 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 4.c of the Agreement concerning business personal property investment, we obtained from Home Depot the Austin Technology Center 2007 Capital report that details the dollar amount of their investment in business personal property expenditures for the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, for the period from January 1, 2007 to December 31, 2007 and performed the following:
 - a) We verified the mathematical accuracy of the report and traced the dollar amounts to the accounting records of Home Depot. No exceptions were found as a result of the foregoing procedures.
 - b) We selected a sample of 51% of the dollar amount (twelve items totaling \$13,773,672.67) of the business personal property expenditures listed in the report and compared the dollar amounts reported for each item to the

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respective vendor's invoice. No exceptions were found as a result of the foregoing procedures.

- c) In performing the above, we noted that our sample included 55% of the dollar amount (six items totaling \$9,429,739.26) of computers and computer equipment. We compared the dollar amounts of each item in the sample to the vendor's invoice. No exceptions were found as a result of the foregoing procedures.
- 2) With reference to Section 4.c of the Agreement concerning non-capital expenditures, we obtained from Home Depot:
- a) The 2007 Austin Technology Center Non-Capital Expenditures Report that summarized expenditures by category.
 - b) A report from the general ledger of the non-capital expenses for the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, for the period from January 1, 2007 to December 31, 2007.

We verified the mathematical accuracy of the 2007 Austin Technology Center Non-Capital Expenditures Report. The general ledger report provided by Home Depot did not include subtotals for each category. We traced the total non-capital expenditures as reported in the general ledger report to the 2007 Austin Technology Center Non-Capital Expenditures Report and selected 13 categories from the 2007 Austin Technology Center Non-Capital Expenditures Report for further testing. The 13 categories selected amounted to 45% of the total balance on the 2007 Austin Technology Center Non-Capital Expenditures Report. We summed the entries from the general ledger report and compared the summation to the corresponding category on the 2007 Austin Technology Center Non-Capital Expenditures Report. No exceptions were found as a result of the foregoing procedures.

- 3) With reference to Section 4.c of the Agreement concerning non-capital expenditures, we inspected the general ledger report for non-capital expenditures from Home Depot. We selected a sample of ten items totaling \$37,467.14 from the general ledger report and compared the dollar amounts reported for each item to the vendor's invoice or other appropriate supporting documentation. No exceptions were found as a result of the foregoing procedures.
- 4) With reference to Section 4.d of the Agreement, and subsequent communication between Home Depot and the City, we inspected the EMC Invoices Reviewed October 16, 2008 report provided by the City of Austin of the dollar amount of Direct Access Storage Devices (DASD) invoices in 2007 for use at the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, including the cost of each item excluding tax, the amount of sales and/or use taxes paid to the vendor for each item and the percentage of sales tax relative to the pre-tax cost. We inspected the invoices provided by Home Depot totaling \$4,343,933.41 that was included in the total of \$9,743,977.09. We confirmed that the \$4,343,933.41 of invoices inspected represents 44% of the Direct Access Storage Device (DASD) investment and ascertained that the invoices support a total investment of \$9,743,977.09. We also ascertained that the invoices inspected represented 48% of the \$9,048,843.98 dollar amount of DASD allocated

in 2007 to the Austin Technology Center based on allocations per the Austin Technology Center 2007 Capital report. No exceptions were found as a result of the foregoing procedures.

- 5) With reference to Section 4.d of the Agreement, and subsequent communication between Home Depot, the City and the Texas Comptroller of Public Accounts, we obtained from Home Depot a copy of their November 20, 2008 Texas Sales and Use Tax Return. We inspected the report and ascertained that Home Depot paid \$41,885.91 in local tax based on purchases subject to local sales tax of \$2,094,296 for Outlet Number 00214, the Austin Technology Center facility located at 1300 Park Center Drive. No exceptions were found as a result of the foregoing procedures.
- 6) With reference to Section 4.d of the Agreement, and subsequent communication between Home Depot, the City and the Texas Comptroller of Public Accounts, we inspected a copy of the Sales Tax Area Report received from the Texas Comptroller of Public Accounts for Home Depot #6594 detailing the amounts of sales and use taxes received by the City of Austin during the allocation period from November 2008 through December 2008 (for the filing period from October 2008 through November 2008). We inspected the Sales Tax Area Report and found that \$21,271.63 was allocated to the City in December 2008.
- 7) With reference to Section 4.g of the Agreement, we inspected an email from the City of Austin Watershed Protection and Development Review Department from Mark Mauldin to Terry Franz dated July 31, 2008. We found that it states there are no water quality ponds at the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas. No exceptions were found as a result of the foregoing procedures.
- 8) With reference to Section 5.a(1) of the Agreement, we obtained from the City a copy of the 2007 Travis County Tax Statement for parcel number 02332005030000 showing the total ad valorem tax assessment for the parcel. We inspected the 2007 Travis County Tax Statement for parcel number 02332005030000 and ascertained that the 2007 net taxable value of the property was \$16,949,785. No exceptions were found as a result of the foregoing procedures.
- 9) With reference to Section 5.a(1) of the Agreement, we obtained from the City a copy of the 2007 Travis County Tax Statement for parcel number 02332005030000, printed on April 4, 2008, showing the unpaid balance of 2007 ad valorem taxes. We inspected the Travis County Tax Statement and ascertained that Home Depot's unpaid 2007 ad valorem taxes were zero. No exceptions were found as a result of the foregoing procedures.
- 10) With reference to Section 5.a(2) of the Agreement, we obtained from the City a copy of the 2007 Travis County Tax Statement for parcel number 97034090000000 showing the total ad valorem tax assessment. We inspected the Travis County Tax Statement for such parcel and ascertained that the:
 - a) 2007 net taxable value of the property was \$39,730,473

- b) 2007 City of Austin tax rate per \$100 was 0.4034, and
- c) 2007 City of Austin tax amount was \$160,272.73.

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

- 11) With reference to Section 5.a(2) of the Agreement, we obtained from the City a copy of the 2007 Travis County Tax Statement for parcel number 97034090000000, printed on April 4, 2008, showing the unpaid balance of 2007 ad valorem taxes. We inspected the Travis County Tax Statement for such parcel and ascertained that Home Depot's unpaid 2007 ad valorem taxes for the parcel were zero. No exceptions were found as a result of the foregoing procedures.
- 12) With reference to Section 5.a(2) and Exhibit B of the Agreement, we inspected an email dated October 2, 2008 from Ron Melton, Travis Central Appraisal District, to Terry Franz, City of Austin, concerning parcel number 97034090000000. We ascertained that the total appraised value of computer equipment and video conferencing upgrade totals \$38,646,137 and that the 2007 tax due to the City of Austin based on the total appraised value of computer equipment and video conferencing upgrade was to \$155,898.51. 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. LLP

January 19, 2009
Austin, Texas