



Padgett Stratemann & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Jeff Knodel, Deputy Chief Financial Officer
City of Austin
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 real property improvements, we obtained from Home Depot a schedule of the dollar amount of their investment in real property improvements at the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, for the period from January 1, 2006 to December 31, 2006. We verified the mathematical accuracy of the schedule and traced the dollar amounts to the accounting records of Home Depot. No exceptions were found as a result of the foregoing procedure. We compared the dollar amounts reported on the schedule of real property improvements to the vendor's invoice or other appropriate supporting documentation. No exceptions were found as a result of the foregoing procedure, except that no vendor's invoice or other appropriate supporting documentation for the line item titled "Building Permits" in the amount of \$105 was provided and vendor's invoice for the line item titled "ATC - Two gate arms at vehicle entrance/loops and log" showed a cost of \$7,865.14. The schedule of real property improvements showed a cost of \$8,258.40 and we were informed that the difference of \$393.26 was for use tax.

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2. With reference to Section 4.c of the Agreement concerning business personal property investment, we obtained from Home Depot a schedule of the dollar amount of their investment in business personal property expenditures at the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, for the period from January 1, 2006 to December 31, 2006. We verified the mathematical accuracy of the schedule and traced the dollar amounts to the accounting records of Home Depot. We selected a sample of 28 items which comprised approximately 65% of the dollar value of the business personal property expenditures listed 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 procedure.
3. With reference to Section 4.c of the Agreement concerning non-capital expenditures, we obtained from Home Depot (1) a report of the subtotals for each category from the general ledger for the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, for the period from January 1, 2006 to December 31, 2006 and (2) a report of the subtotals for each cost element from the general ledger account for the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, for the period from January 1, 2006 to December 31, 2006. We verified the mathematical accuracy of the schedule and trace the subtotal amounts for each cost element to the general ledger. No exceptions were found as a result of the foregoing procedure.
4. With reference to Section 4.d of the Agreement, and subsequent communication between Home Depot and the City, we obtained from Home Depot a schedule of the dollar amount of computers and computer equipment purchased between January 1, 2006 and December 31, 2006 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 selected a sample of 28 items which comprised approximately 65% of the dollar amount of computers and computer equipment and compared the dollar amount of cost excluding tax of each item selected, the amount of sales and/or use taxes paid to the vendor for each item, and/or the percentage of sales tax relative to the pre-tax cost for each item to the vendor's invoice or other appropriate supporting documentation or recomputed the dollar amount based on the pre-tax cost and/or sales tax information found on the respective vendor's invoice. No exceptions were found as a result of the foregoing procedure.
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 September 2007 Texas Sales and Use Tax Return. We compared the dollar amounts of \$543,120.48 in local tax based on purchases subject to local sales tax of \$27,156,024 for Outlet Number 00214, the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, to the accounting records of Home Depot. No exceptions were found as a result of the foregoing procedure.

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 obtained from the Texas Comptroller of Public Accounts a copy of the Sales Tax Area Report for Home Depot #6594 detailing the amounts of sales and use taxes received by the City of Austin during the allocation period from September 2007 through February 2008 (for the filing period from July 2007 through December 2007). We inspected the Sales Tax Area Report and found that the amount of the allocation to the City in November 2007 was \$261,867.22.
7. With reference to Section 4.g of the Agreement, we obtained a copy of an email from the City of Austin Watershed Protection and Development Review Department stating that there were no water quality ponds at the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas. The email was dated August 15, 2007 from Mark Mauldin to Terry Franz. We inspected the email and ascertained that the City of Austin Watershed Protection and Development Review Department confirmed that there were no water quality ponds at the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas.
8. With reference to Section 5.a(1) of the Agreement, we obtained from the City a copy of the original Travis County Tax Statement for 2006 showing the total ad valorem tax assessment for parcel 2332005030000 and a copy of the Travis County Tax Statement for 2006, printed on February 26, 2007, showing the unpaid balance of 2006 ad valorem taxes for parcel 2332005030000. We inspected the two Travis County Tax Statements for 2006 for parcel 2332005030000 and found that the 2006 net taxable value was \$11,889,488.00 and that the unpaid 2006 ad valorem taxes as of February 26, 2007 were zero.
9. With reference to Section 5.a(2) of the Agreement, we obtained from the City a copy of the original Travis County Tax Statement for 2006 showing the total ad valorem tax assessment for parcel 97034090000000 and a copy of the Travis County Tax Statement for 2006, printed on February 26, 2007, showing the unpaid balance of 2006 ad valorem taxes for parcel 97034090000000. We inspected the two Travis County Tax Statements for 2006 for parcel 97034090000000 and found that the 2006 net taxable value was \$39,324,756.00, that the 2006 City tax rate was \$0.4126, that the City tax amount due was \$162,253.94 and that the unpaid 2006 ad valorem taxes as of February 26, 2007 were zero.
10. With reference to Section 5.a(2) and Exhibit B of the Agreement, we obtained from Home Depot a copy of their 2006 business personal property rendition for the Austin Technology Center facility located at 1300 Park Center Drive, Austin, Texas, parcel number 97034090000000. We compared the dollar amount of the reported value of computers, computer equipment, servers and related equipment and telephones and related equipment to the dollar amount of \$36,841,177 and verified that such dollar amount is at least \$36,841,177.

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.

May 20, 2008
Austin, Texas