CITY OF MEXICO, MISSOURI
YEAR ENDED SEPTEMBER 30, 2003

From The Office Of State Auditor
Claire McCaskill

Report No. 2004-46
June 10, 2004
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AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

June 2004

YELLOW SHEET

The following problems were discovered as a result of an audit conducted by our office of the City of Mexico, Missouri.

The employment contract between the city and the former city manager was prepared and signed in 1988 when the former city manager began employment and was not periodically updated. Changes in benefits provided to the former city manager were not always recorded in the council minutes or otherwise documented as approved by the council; including increasing the former city manager's annual administration leave, making city contributions to his deferred compensation account, and changing the hourly rate for vacation and sick leave payouts.

The city council provided vacation and sick leave buyback benefits to the former city manager; however, these benefits are not normally provided to other city employees. Leave buyback is payment for accumulated leave time which has not been used by the employee. While the city council adopted specific policies for leave buybacks for the former city manager, some buybacks were made for more than the amount approved by policy without documented council approval. The city council should review the practice of providing leave buyback benefits to ensure it is a reasonable and prudent use of city funds. In addition, council approval should be clearly documented for the payment of such benefits.

The city did not report the taxable benefits associated with the city vehicle provided to the former city manager. From 1995 to 2002, the city provided a vehicle which was used for business and personal use. No mileage logs were maintained of the actual usage during this time period.

Both the current and former city managers authorized the reclassification of an employee into a new pay group without approval of the city council. Because the city council approved the pay scales and pay group classifications for city employees, it appears questionable for the former and current city manager to approve changes in individual employees' pay group classifications without council approval.

The city council did not adequately document the reasons for hiring the current city manager nor how his salary was determined. The city council indicated several resumes were reviewed and the council unanimously voted to hire the current city manager. In addition, while the council had some discussions on setting the salary, no documentation was provided on how the council determined the approved salary amount.

(over)

The city did not document how some items discussed in closed session complied with state law. The results of votes taken in closed session are not always made public in a timely manner as required by state law. In addition, votes were not documented for some decisions made in closed session.

The city paid approximately $3,300 during the year ended September 30, 2003, for a membership at a local country club for the economic development director to meet with businesses that are considering locating in the city. While the city normally listed the names of individuals who received meals at the country club, no documentation was prepared to indicate which businesses these individuals represented or to otherwise indicate how these expenditures could enhance economic development for the city.

The city does not have a policy requiring city council approval for travel expenses incurred by the city manager. The former city manager apparently approved travel authorization forms for trips he made. In addition, the former city manager was reimbursed $1,057 for expenditures charged to his personal credit card for which the purpose was not documented. Additionally, this payment was made directly to the credit card company rather than the former city manager.

The city council voted to purchase and finish construction on an industrial building without adequately documenting the estimated economic benefit to the city. During 2002, the city paid approximately $400,000 to acquire and $625,000 to complete this building. Additionally, the city council voted to enter into an agreement to complete construction on the building prior to acquiring ownership of the property. Although, the council had the intent to purchase the building at the time the construction contract was approved, the purchase should have been concluded first to avoid potential problems.

A member of the city council voted to purchase the industrial building with apparent knowledge that his employer intended to lease the facility. When the vote was made to acquire the building, the councilman employed by the potential lessor of the building did not abstain from the vote. Personal interests in business matters of the city create the appearance of conflicts of interest, and to avoid the appearance of conflicts of interest, council members should not participate in decisions that may effect related parties.

CITY OF MEXICO, MISSOURI

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STATE AUDITOR'S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

To the members of the City Council
City of Mexico, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Mexico, Missouri. The city engaged Williams Keepers LLC, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended September 30, 2003. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended September 30, 2003. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.

2. Review internal controls over significant management and financial functions.

3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.

2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide

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reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Mexico, Missouri.

Claire McCaskill
State Auditor

December 31, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Marty Beck

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Compensation and Personnel Matters

Several concerns were noted regarding the compensation and benefits paid to the former city manager. The city council had an employment contract with the former city manager but did not periodically update it. The city council did not always document its approval of increases in compensation and benefits provided to the former city manager. In addition, both the current and former city managers authorized raises for an employee by reclassifying her position within the city's pay ranges without obtaining city council approval. The city did not adequately document the reasons for hiring the current city manager.

A. The city council entered into an employment contract with the former city manager when he began employment in 1988. From then until he resigned in 2002, changes occurred in the salary, benefits, and responsibilities of the former city manager, but the employment contract was not periodically updated and signed by both parties. Some of these changes were documented in the minutes as approved by the city council and some were not (see Part B). To avoid misunderstandings, the city should update the employment contract when compensation changes are approved.

B. Changes in benefits provided to the former city manager were not always recorded in the council minutes or otherwise documented as approved by the council, as follows:

- Increasing his annual administrative leave days from 5 to 10.
- Making city contributions to his deferred compensation account.
- Changing the way his hourly rate was calculated for determining vacation and sick leave payouts.

The June 25, 2001 closed meeting minutes indicated the council voted to "assist with future deferred comp retirement plan contributions" but did not specify the amount to be contributed. Weekly contributions were made and the city contributed approximately $11,000 annually to his deferred compensation account.

The change in the calculated hourly rate for leave payouts occurred when the city bought back some vacation and sick leave from the former city manager in January 2002. This increase was $5.28 per hour, and hand-printed wording on the calculation sheet indicated, "Per Dan (Parrot, former City Manager) contract renegotiated to include hourly rate plus deferred comp." No discussion or approval of this change could be located in the council minutes. The total amount paid in leave buybacks and payment for unused leave upon termination during 2002 was $29,696 (58 days vacation and 20 days sick leave), and of this amount, $3,295 resulted from the increase in the hourly rate. Without documented approval of changes to the benefits, it cannot be determined who authorized these changes or when they took affect.

C. As noted in Part B. above, the city provided vacation and sick leave buyback benefits to the former city manager; however, these benefits are not normally provided to other city employees. Leave buyback is payment for accumulated leave time which has not been used by the employee. In accordance with city policy, the former city manager earned 24 days of vacation (based on years of service) and 12 days sick leave per year, along with the 10 days of administrative leave per year approved by the city council. In 1994, the city council approved a policy to allow the annual buyback of up to 10 days of vacation leave for the city manager. In 1997, the council approved a policy to allow the annual buyback of up to 12 days of sick leave for the city manager at 50 percent of the value, which was changed to 100 percent of the value in 2001.

In January 1999, the former city manager was paid for 17 days of unused vacation leave, seven more than the policy allowed. This additional seven days buyback totaled $2,233. No documentation of city council approval could be located for the additional seven days payout. In January 2000, the former city manager requested and the city council approved the payment of 19 days of unused vacation leave and 45 days of unused sick leave. However, the 45 days of sick leave was paid out at 100 percent instead of 50 percent which was the policy in place at that time. This buy back of 64 total days for 2000 cost the city $21,030. (Note that these amounts were in addition to the payments noted in Part B. above.)

The city council should review the practice of providing leave buyback benefits to ensure it is a reasonable and prudent use of city funds. In addition, council approval should be clearly documented for the payment of such benefits.

D. The city did not report the taxable benefits associated with the city vehicle provided to the former city manager. From 1995 to 2002, the city provided a vehicle which was used for business and personal use. No mileage logs were maintained of the actual usage during this time period.

Internal Revenue Service (IRS) Code reporting guidelines indicate personal commuting mileage is a fringe benefit that should be reported on the individual's W-2 form. Clearly marked police and fire vehicles are exempt from these guidelines, as well as unmarked law enforcement vehicles if their use is officially authorized. However, for non-exempt vehicles, IRS guidelines require the full value of the provided vehicle to be reported on the employee's W-2 form if the employer does not require the submission of detailed logs which distinguish between business and personal (commuting) usage. Because procedures have not been established to ensure the IRS regulations are followed, the city may be subject to penalties and/or fines for failure to report all taxable benefits.

E. Both the current and former city managers authorized the reclassification of an employee into a new pay group without approval of the city council. Section 78.570, RSMo 2000, states that, "The council shall also provide for all offices and positions in addition to those herein specified, which may become necessary for the proper carrying on of the work of the city, and shall fix the salary and compensation of all officers and employees of the city not herein provided for." The council approves a classified pay schedule which places each employment position into one of seven pay groups, each of which has an approved pay range. The city council has given the city manager authority to approve pay raises to employees within the pay ranges approved by the city council for each group of employees.

In August 2002, the former city manager approved an $1,100 annual pay raise for his administrative assistant, which was within the range approved by the city council. However, 11 days later and just prior to the former city manager leaving city employment, he authorized that his administrative assistant's position be reclassified from pay group III to pay group IV, and provided an additional raise of $1,900 annually. The current city manager authorized this same employee to be reclassified from pay group IV to pay group V in June 2003, and provided a raise of $1,000 annually.

Because state law provides for the city council to set the salaries of all employees, and because the city council approves the pay scales and pay group classifications for city employees, it appears questionable for the former and current city manager to approve changes in individual employees' pay group classifications without council approval. The pay groups are designed to put a cap on the salaries of employees within each pay group as determined by the council.

F. The city council did not adequately document the reasons for hiring the current city manager. The council developed qualifications for the position and advertised this notice in the larger metropolitan newspapers in the state as well as other municipal trade publications. The city council indicated several resumes were received and the council unanimously voted to hire the current city manager. Although the current city manager did not meet the minimum education requirement advertised for the position, the mayor and one councilman indicated he was hired because of his extensive experience with working for the city for many years; however, these reasons were not formally documented or publicly disclosed.

In addition, the city did not adequately document how the salary of the city manager was determined. Council minutes from the August 26, 2002 closed session include discussions on various methods to set the salary. These methods included obtaining a survey of salaries paid by other cities or setting the salary five percent higher than the next highest paid city employee; however, no follow up to these discussions was documented. The employment contract with the current city manager dated October 22, 2002, set his annual salary at $85,671. While the city council approved this amount, there is no documentation to indicate how they determined the actual salary.

WE RECOMMEND the City Council:

A. Update the contract with the city manager to reflect changes in salary, benefits, and responsibilities, and ensure it is signed by both parties.

B. Ensure that benefit changes offered to the city manager or any other employee are approved and documented by the council.

C. Ensure all employee benefit payments are in accordance with city policy, and council approval for any benefits paid in excess of city policy should be clearly documented. In addition, the council should review and determine if vacation/sick leave buybacks are a reasonable and prudent use of city funds.

D. Comply with IRS guidelines for reporting fringe benefits related to commuting with city-owned vehicles, and consult with the IRS and amend the former city manager's W-2 forms as necessary.

E. Ensure prior approval is documented for the reclassification of employees to new pay groups.

F. Ensure adequate documentation is provided noting the reasons for hiring all employees, and ensure salary computations for all employees are adequately documented.

AUDITEE'S RESPONSE

A&B. The Council acknowledges that there was some lack of documentation.

C. As stated in the audit report, the former city manager was paid for 17 days of unused vacation in January 1999. The former city manager reported to the payroll department that he had received approval for payment for the 17 days of unused vacation along with the previously approved and documented buyback of up to 12 days sick leave at 50 percent of value. The payroll department is unable to provide any additional documentation other than the processing of the request itself and tax withholding notes from the former city manager.

In January 2000, as stated in the audit report, the former city manager requested and received approval for the payment of 19 days of unused vacation and 45 days of unused sick leave. The buyback in 2000 of vacation days and sick days was processed in accordance with the signed documentation provided. The documentation clearly stated *the buyback of 45 days sick leave and 19 days vacation and the action was processed accordingly. The documentation provided reason that the previous policy was replaced with a more current action.*

D. *We will consult with the IRS and the city's CPA firm to determine what action is necessary.*

E. *Our city attorney has currently reviewed this matter and provided an opinion which concludes that the current and former city managers acted within their authority. We believe this comment should be deleted. The promotions were made because of additional duties due to reorganization, including additional wastewater and airport duties (reports, grants, acquisitions, etc.).*

F. *The reasons for hiring and a public discussion were part of the Council meeting on October 28, 2002. We believe this decision is a Council decision and not a participatory process by the public. The salary paid to the current city manger was the same salary that was being paid to him as the interim city manager. The car allowance was $100 higher than his previous allowance as public works director.*

AUDITOR'S COMMENT

C. The city did not clearly document why the 2000 sick leave buyback was paid at 100 percent of value instead of 50 percent, which was the approved policy at the time of this buyback.

E. While the April 6, 2004 legal opinion concluded these were promotions and within the city manager's authority, there was no documentation of any additional duties given to the administrative assistant. In addition, it would appear that any changes to the council-approved pay ranges should be approved by the City Council.

2. Closed Meetings

The city council discussed issues in closed session which may not be allowable and did not make votes taken in closed session available to the public in a timely manner.

A. The city did not document how some items discussed in closed session complied with state law. Section 610.021, RSMo Cumulative Supp. 2002, allows matters to be discussed in closed session only if they relate to certain specified subjects. Those subjects that would appear to be most applicable to the City Council include matters related to pending or possible litigation, real estate transactions, and personnel actions involving specific employees.

Some closed session meeting minutes included discussions on matters which may not comply with state law, including the possible closure of a business located in the city, negotiation of a franchise agreement, possible city purchase of a service organization, and various economic development prospects.

City officials indicated that at times planned discussions can lead to other issues which are related. To ensure compliance with the state law, care should be taken to ensure only matters specifically authorized by law are discussed and documented in closed session.

B. The results of votes taken in closed session are not always made public in a timely manner as required by state law. The council's normal procedures are to not disclose votes taken in closed session until the minutes are approved at a subsequent closed session council meeting. For example, council minutes from November 10, 2003 indicate that a citizen asked if there were any votes taken in the last closed session (October 27, 2003) for which a council member replied the applicable minutes were not yet approved. It appears there had been a vote taken on a personnel matter in that closed session. In addition, votes were not documented for some decisions made in closed session. Two occasions were noted where council approval was documented by the wording "consensus of the council."

Section 610.021, RSMo Cumulative Supp. 2002, generally requires the results of votes taken in closed session be made available to the public within seventy-two hours of the close of the meeting. The city council should adopt procedures to ensure decisions made in closed session are done by vote of the council and are publicly disclosed in accordance with state law.

WE RECOMMEND the City Council:

A. Ensure only matters specifically authorized by law are discussed in closed session.

B. Ensure that the votes are taken and documented for decisions made in closed session and the results of applicable votes are made public within the amount of time specified by state law.

AUDITEE'S RESPONSE

A&B. Procedures have been changed to ensure that only matters authorized by state law are discussed in closed sessions. The one incident of not making public an action in a timely manner was because of confusion on the part of Council on whether minutes had to be approved before release. A system for timely approval of minutes has been adopted.

3. Expenditures

The city did not provide adequate detail of the benefits for expenditures at the local country club and does not have a policy requiring council approval for travel expenses incurred by the city manager. In addition, supporting documentation for some reimbursable expenses to the former city manager was not maintained.

A. The city pays for a membership at a local country club for the economic development director. During the year ended September 30, 2003, the city spent approximately $3,300 for membership dues and meals at the country club. City officials indicated the purpose of these expenditures was to provide the economic development director a place to meet with businesses that are considering to locate in the city. While the economic development director normally listed the names of individuals who received meals at the country club, no documentation was prepared to indicate which businesses these individuals represented or otherwise document how these expenditures could enhance economic development for the city. Such documentation is necessary to ensure these expenditures represent a prudent use of city funds.

B. The city does not have a policy requiring city council approval for travel expenses incurred by the city manager. City policy requires employees to complete a standard travel authorization form which includes estimates of the trip costs which is approved by the employees' supervisor, the administrative services director, and the city manager. The former city manager apparently approved travel authorization forms for trips he made. For example, he approved the travel authorization form for his trip to New York City in June 2002. It does not appear appropriate for the city manager to approve travel expenses that he incurs. Therefore, the city should adopt a policy which requires city council approval on travel authorization forms for travel expenses incurred by the city manager.

C. The former city manager was reimbursed for expenditures charged to his personal credit card for which the purpose was not adequately documented. The city reimbursed $1,057 in costs claimed by the former city manager, and payment was made directly to the credit card company rather than to the former city manager. Part of this amount ($647) was for airfare and restaurant charges for an out-of-state trip. There was no documentation maintained regarding the purpose of this trip, although city officials indicated it was related to economic development activities for the city. The remaining amount of $410 was to a restaurant in Jefferson City. City officials indicated that this was for a Missouri Municipal League legislative dinner attended by the former city manager and an unknown number of city council members.

   The purpose should be adequately documented for all expenditures, and reimbursement for expenditures incurred by employees on their personal credit cards should be paid directly to the employee and not to the credit card company.

WE RECOMMEND the City Council:

A. Require documentation of all meetings and other expenditures incurred at the local country club to show how these expenditures could enhance economic development for the city.

B. Develop a policy to ensure travel authorizations for the city manager are reviewed and approved.

C. Ensure reimbursement of expenses incurred on city employees' personal credit cards is paid to the employee and not to the credit card company, and ensure the purpose is adequately documented.

AUDITEE'S RESPONSE

A. The expense documentation turned in by the economic development director reflects the participation in meetings at the country club. We have implemented a more detailed procedure for documentation of those meetings.

B. We have changed the procedure for approval of out-of-state travel authorization for the city manager. In-state travel is handled through expense claims, not travel authorization.

C. We now require supporting documentation for all expenditures and do not pay employee credit cards directly.

4. Industrial Building Project

The city purchased property for an industrial building without documenting the economic impact of the purchase. The city entered into a construction contract to enhance the marketability of the property prior to the city's acquisition of the property. In addition, a city council member who is employed by the proposed lessor of the building did not abstain from the council's vote to purchase the property.

A. During 2002, the city paid approximately $400,000 to acquire a partially completed industrial building located in the city and $625,000 to complete construction of the building. Construction of the building was done by a not-for-profit corporation funded by a state economic development loan, and the owners had been trying to sell the building because of difficulty in attracting businesses to the building. City officials indicated it was their belief that the city could more easily attract a business to locate in the building if the city purchased it and completed the construction. The city would then lease the building to a company willing to locate there. The city has entered into a lease agreement with a company, and the current agreement will allow the city to recoup its total purchase and construction costs during the term of the lease. However, the city did not estimate or document the potential economic benefit of this agreement.

Such documentation should have included potential businesses interested in using the building, the estimated number of jobs to be created, estimated financing arrangements, and other information related to the potential economic impact to the city. Given the large amount of taxpayers' money spent on this project, it is important for the city to document the estimated benefits before engaging in such a project.

B. The city council voted to enter into an agreement to complete construction on the building prior to acquiring ownership of the property. The July 18th, 2002 council minutes document a vote to authorize the city manager to enter into a construction contract for the completion of an industrial building. The contract was executed on July 25, 2002, one week before the official council vote to acquire the building and finish it (August 1, 2002 meeting). Based on documentation from the abstract company, it appears that the property actually changed hands on August 15, 2002. Although the council had the intent to purchase the building at the time the construction contract was approved, the purchase should have been concluded first to avoid potential problems.

C. A member of the city council voted to purchase the industrial building with apparent knowledge that his employer intended to lease the facility. Council minutes prior to the council vote to acquire the building indicate that a local company planned to lease the building from the city after it was completed. When the vote was made to acquire the building, the councilman employed by the potential lessor of the building did not abstain from the vote. City officials indicated that the councilman is not in a position with the company to influence decisions such as the rental of the building. However, personal interests in business matters of the city create the appearance of conflicts of interest. To avoid the appearance of conflicts of interest, council members should not participate in decisions that may effect related parties.

WE RECOMMEND the City Council in the future:

A. Document the estimated potential economic benefit to the city prior to spending taxpayer money on major economic development projects.

B. Refrain from approving construction contracts on property prior to the city actually owning the property.

C. Ensure that the members abstain from voting on issues where a potential conflict of interest may exist.

AUDITEE'S RESPONSE

A&B. The industrial building referred to was built in 1997 through a State of Missouri Department of Economic Development Interim Financing Program for speculative *buildings. The city had participated in this program before which resulted in the relocation of a company to Mexico with a current employment of over 300 people. The program is funded by state funds that have been committed to other projects that will not need the funding for a period of time. The state uses this "float" money secured by a letter of credit to fund these "spec" building projects. The state requirement of the loan is that the "spec" building be owned by a not-for-profit entity other than the city. Our first building was owned by the Mexico Industrial Development Authority. Consolidated Electric Cooperative (CEC) agreed to own this spec building and guarantee the letter of credit to repay the loan in order to promote economic development. When the property became occupied, CEC stood to gain an electric customer.*

The state loan was for a 30-month period at 1 percent interest after which time the letter of credit paid the state loan back and CEC arranged substitute financing for the building. The marketing of the building was done by the city and resulted in attracting a company which subsequently built another facility and subsequently expanded that facility. After 5 years, it became apparent that the spec building, which was constructed as a shell with no floor or doors, electrical or heating, would be much more marketable if it were equipped with doors, heating, and a floor. During this time, expansion of the Mexico Memorial Airport resulted in the acquisition of an aviation easement over part of the building for $347,000. The original building and land had cost $750,000, so the easement reduced the CEC investment in the building to around $400,000.

Because we had numerous inquiries about renting part or all of the spec building, we were pretty confident that the building could be rented during the year for enough time to offset the debt service. We only needed to rent it 60 percent of the time to make this work. Because of the increased potential for a permanent employer by having a finished building and the fairly minimal risk to the city, we decided to proceed with the project. Had it not been finished, we would not have been able to attract the current occupant of the building. This company had considered locating to another city, but that city did not have a suitable building available and would have to build one.

The Council, we think, made a good decision with a small amount of risk that has resulted in 100 new jobs and the attendant positive effect on the Mexico economy.

C. The allegations that a councilman had knowledge that his employer intended to lease the building when he voted to purchase the building is apparently based on some discussions that his employer was mentioned in council minutes as a potential renter. His employer was mentioned by city staff, but was only one of 3 or 4 potential renters. We knew that his employer had periodically leased space in Columbia and thought they might be a potential tenant. There was an ethics complaint filed and an investigation by the Missouri Ethics Commission, which concluded there was no substance to this allegation. We would request that this comment be deleted.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF MEXICO, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The City of Mexico is located in Audrain County. The city was incorporated in 1857 and is currently a third-class city with the city manager form of government. The population of the city in 2000 was 11,320.

The city government consists of a five-member council. The members are elected for 3-year terms. The members annually elect one of its members as mayor who presides over the city council meetings. Each member of the city council receives a framed one-dollar bill annually to show appreciation for their service. The City Council and other principal officials during the year ended September 30, 2003, are identified below.

Elected Officials	Term		Compensation Paid for the Year Ended September 30, 2003
Richard Buffington, Mayor		$	0
Donald Magnus, Councilman			0
Linda Reed, Councilwoman			0
Virginia Robertson, Councilwoman			0
Dan Botts, Councilman	April 14, 2003 to September 30, 2003		0
Byron Jahn, Councilman	October1, 2002 to April 14, 2003		0
Other Principal Officials			
Tanna Parish, City Manager (1)			91,954
Roger Haynes, Administrative Services Director			73,973
David Boone, Economic Development Director			62,504
Charles Miller, Public Safety Director			63,853
Gene Williams, Public Works Director			54,406
Lou Leonatti, City Attorney			(2)

(1) Compensation includes a monthly car allowance of $350 and vacation leave buyback of $2,083.

(2) The law firm of Leonatti and Baker receives a monthly payment of $2,755 for Lou Leonatti to serve as city attorney. The firm also bills for additional services. For the year ended September 30, 2003, the city paid Leonatti and Baker $33,227 for legal services.

In addition to the officials identified above, the city employed 88 full-time employees and 16 part-time employees on September 30, 2003.

Assessed valuation and tax rate information for tax years 2003 and 2002 are as follows:

ASSESSED VALUATION	2003	2002
Real estate	$ 77,508,759	77,001,232
Personal property	25,746,132	28,019,403
Railroad and utility	11,170,708	10,772,510
Total	$ 114,425,599	115,793,145

TAX RATES PER $100 ASSESSED VALUATION

	2003	2002
General Fund	$ 0.3879	0.3814
Parks and recreation	0.1886	0.1855
Health	0.1886	0.1855

The city has the following sales taxes; the rates are per $1 of retail sales:

	Rate	Expiration Date
General	$ 0.010	None
Capital improvement	0.005	6/30/2010