

# Scott Fitzpatrick

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Missouri State Auditor

City of Leadwood

Report No. 2026-016

February 2026

[auditor.mo.gov](http://auditor.mo.gov)



**Scott Fitzpatrick**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of Leadwood

### Improper Bonuses

The Board of Aldermen wasted public resources by improperly authorizing over \$100,000 in bonuses to themselves, the Mayor, and other city personnel. The Board improperly used Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to pay the majority of the bonuses and city personnel did not process these payments through the city payroll process. The Board used 88% of the city's total grant expenditures received from September 2021 to May 2022 to fund a total of \$103,360 in improper bonuses.

### Financial Condition

The financial condition of the city's General Fund is declining. The Board is not adequately monitoring the city's financial condition, is not receiving detailed information showing financial data for each fund, and has poor budgeting procedures. The report notes General Fund expenditures continuously exceeded revenues for fiscal years 2021-2024. The city does not track beginning and ending fund balances so they do not know what funds are available. Additionally, the city deposits restricted street, water, and sewer funds in the same account as General Fund money and does not separately track the funds. As a result, water and sewer funds are likely subsidizing the General Fund. The city's budget did not include all statutory requirements and the Board does not monitor the budget periodically to determine if the city exceeds budgeted expenditure amounts.

### Restricted Funds

City personnel do not separately identify state motor vehicle-related money or related transactions in the General Fund. As a result, the city cannot ensure the money is only used for street-related expenditures as required or determine what portion of the General Fund balance represents restricted street-related monies as required by the Missouri Constitution. The city is comingling the water and sewer funds with the General Fund, making it hard to identify which money is for restricted use. Separate accounting of restricted funds is necessary to ensure compliance with state law. The city also does not maintain a listing of refundable customer security deposits to reconcile to balances held in the General Fund.

### Sunshine Law

The city does not always comply with the Sunshine Law for open and closed Board meetings. The city did not list the reason for going into closed meetings, discussed topics not allowed, and failed to document roll call votes. The city held 39 closed meetings from April 2021 through March 2023 and classified 11 as emergency closed meetings. Meeting minutes and notices did not list the specific reason or section of law allowing the closed meeting for the 39 closed meetings held. During 24 of the 39 closed meetings reviewed, the Board discussed topics that were not allowable. The Board did not provide sufficient notice or opportunity to attend open meetings held by telephone as required. The city has not adopted a written policy regarding public access to city records, as required, or developed a log to track Sunshine Law requests.

### Utility System Controls and Procedures

City personnel do not always shut off services when utility accounts are over 30 days past due and inform the Board about delinquent accounts, as required by ordinance. Additionally, the former Utility Clerk allowed customers to make partial payments without Board approval. The Board does not review or approve non-monetary utility adjustments and no one prepares a listing of adjustments posted to the system to compare to known or expected

adjustments. City personnel do not perform monthly reconciliations of total billings, payments received, and amounts remaining unpaid for utility services. The city has not obtained annual audits of its combined waterworks and sewerage system as required by state law and the United States Department of Agriculture bond agreement. The city last obtained an audit in 2019.

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**Bond Requirements**

The city failed to comply with its 2018 bond covenants including a failure to maintain a separate fund for water and sewer revenues, allocate and restrict enough money to cover water/sewer system expenses, deposit 1/6 of its monthly debt service payment, approximately \$2,670, into a separate debt service account, have a surplus account to hold any money remaining from the Revenue Fund after expenses, and complete an annual budget containing all the requirements of Missouri law.

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**Accounting Controls and Procedures**

The former City Treasurer did not prepare adequate or timely bank reconciliations. In addition, city personnel did not prepare bank reconciliations timely for any of the city's 9 bank accounts. The city has not established adequate procedures for receipting utility payments.

In the areas audited, the overall performance of this entity was **Poor**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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**SCOTT FITZPATRICK**  
MISSOURI STATE AUDITOR

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Leadwood, Missouri

We have audited certain operations of the City of Leadwood as they relate to the city's finances in fulfillment of our duties under Chapter 29, RSMo. Due to concerns regarding wasted or misappropriated money, the State Auditor initiated the audit with the approval of the City of Leadwood Board of Aldermen. The scope of our audit included, but was not necessarily limited to, the 2 fiscal years ended March 31, 2023. The objectives of our audit were to:

1. Evaluate the City of Leadwood's internal controls over significant management and financial functions, as they relate to any misappropriated money and/or waste of public resources.
2. Evaluate the City of Leadwood's compliance with certain legal provisions, as they relate to any misappropriated money and/or waste of public resources.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions, as they relate to any misappropriated money and/or waste of public resources.
4. Determine the extent of public resources wasted and/or money misappropriated from the City of Leadwood, if any.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying 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 our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures and (4) public resources wasted totaling at least \$103,360. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Leadwood.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive style with a large initial "S" and "F".

Scott Fitzpatrick  
State Auditor

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# City of Leadwood

## Introduction

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### Background

The City of Leadwood government consists of a mayor and a 4-member board of aldermen. The board members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Board of Aldermen members are paid \$50 per month while the Mayor is paid \$300 per month.

The Board is responsible for establishing city ordinances and policies, approving and monitoring the city budget, monitoring the city's financial condition, and reviewing and approving expenditures including grant related expenditures. The mayor oversees all city employees including the city clerk, the utility clerk, and the city treasurer. The city clerk, utility clerk, and city treasurer are primarily responsible for the financial accounting functions and records of the city including sewer/water collections, receipting and depositing, reconciling bank accounts, and preparing and signing expenditures.

#### Coronavirus State and Local Fiscal Recovery Funds Grant

The City of Leadwood received \$237,345 between August 2021 and August 2022 from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) federal grant. The city used the majority of its first payment for bonuses and spent the remaining on sewer upgrades. The grant was intended to help state and local governments mitigate the impacts of the COVID-19 pandemic.

In May 2021, the U.S. Department of Treasury initially detailed the purpose and allowable uses of the grant funding in its Interim final rule. In January 2022, the U.S. Department of the Treasury published the Overview of the Final Rule<sup>1</sup> which became the determination of how funds could be spent. Both documents detailed 4 main uses for the funds, which were to:

- Replace lost public sector revenue;
- Support the COVID-19 public health and economic response;
- Provide premium pay for eligible workers performing essential work; and
- Invest in water, sewer, and broadband infrastructure.

#### Investigation and audit

In April 2023, the State Auditor's Office (SAO) Whistleblower Hotline received concerns that the Mayor and Aldermen paid themselves with SLFRF funds. The SAO conducted an initial review of this matter, under Section 29.221, RSMo. After review of the documentation and communications provided, the SAO determined further investigation was warranted.

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<sup>1</sup> *Coronavirus State & Local Fiscal Recovery Funds: 2022 Overview of the Final Rule.* <<https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf>>. Accessed November 26, 2025.



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On June 13, 2023, the Board of Aldermen passed an ordinance formally requesting and authorizing an audit by the SAO. The SAO subsequently agreed to conduct the audit, which began in July 2024.

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## Scope and Methodology

The scope of this audit included, but was not necessarily limited to, the 2 fiscal years ended March 31, 2023.

We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide a reasonable assurance of detecting instances of noncompliance significant to those provisions.

We performed the following procedures to evaluate (1) the city's internal controls over significant management and financial functions, as they relate to any misappropriated money and/or waste of public resources; (2) the city's compliance with certain legal provisions, as they relate to any misappropriated money and/or waste of public resources; and (3) the economy and efficiency of certain management practices and procedures, including certain financial transactions, as they relate to any misappropriated money and/or waste of public resources:

- We reviewed meeting minutes, applicable city ordinances, and written policies and procedures.
- We conducted recorded interviews with former City Clerk Boyer, former Mayor Austin, former Alderman Lewis, and former Alderman Vickers. We also requested copies of any city records they possessed that supported their statements.
- We reviewed the city's bank statements, budgets, and financial reports for fiscal years 2021-2024.
- We reviewed the city procedures for handling restricted funds.
- We reviewed the city's controls and processes over the utility system including procedures for collecting, recording, and depositing water and sewer payments.
- We reviewed the city's bond agreement and city procedures to comply with various covenants.



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- We performed sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected.

To determine the extent of public resources wasted and/or money misappropriated from the city, if any, we performed the following procedures:

- We researched and reviewed available SLFRF guidance.
- We reviewed the city's documentation of all SLFRF money received and expended and evaluated the expenditures for compliance with grant guidance and city procedures.

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# City of Leadwood Management Advisory Report State Auditor's Findings

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## 1. Improper Bonuses

The Board wasted public resources by improperly authorizing over \$100,000 in bonuses to themselves, the Mayor, and other city personnel. The Board improperly used Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to pay the majority of the bonuses and city personnel did not process these payments through the city payroll process.

### 1.1 Bonuses

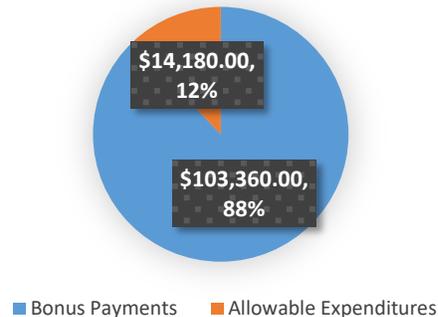
The city paid bonuses to Board members, the Mayor, and other city personnel in violation of grant requirements and the Missouri Constitution.

#### Bonus payments using SLFRF funds

From September 10, 2021, through May 26, 2022, the Board voted on 3 different occasions to pay bonuses to themselves and city employees with SLFRF funding. The grant funded bonuses totaled \$103,360, which represents 88% of the city's total grant expenditures during this time period.

The following shows the percentage of allowable and unallowable SLFRF expenditures.

**SLFRF Expenditures through May 26, 2022  
totaling \$117,540**



On September 9, 2021, the Board held an emergency closed meeting and voted to give themselves and each city employee a bonus using the SLFRF funds. The Board voted to give all 4 aldermen and Mayor Austin \$2,000 each, and the 9 city employees various amounts ranging from \$3,000 to \$7,000, for a total of \$51,000. City Clerk Boyer received the most, at \$7,000. Alderman Lewis and Mayor Austin indicated in recorded interviews City Clerk Boyer proposed the amounts to the Board members.

On December 6, 2021, the Board held another closed meeting and voted to give themselves, Mayor Austin, and every employee working for the city at the time a Christmas bonus of \$1000, for a total of \$13,000, using SLFRF funds.

According to the May 26, 2022, meeting minutes, Alderman Vickers went into City Hall and stated he wanted to give out the rest of the SLFRF money and split it between everyone. Another Alderman, Aaron Penberthy, was in



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the office and agreed. A text message was sent to Alderwoman Wisdom and Alderman Lewis for their consideration. The meeting minutes indicated the bonuses, totaling \$39,356, or \$2,656 per person, for the aldermen, mayor, and city employees, were approved by the two aldermen voting in person and the other two by responding "yes" by text message.

The table below lists the total bonuses from SLFRF paid to each person:

Employee	Position	Amount Paid
Kendra Boyer(1)	City Clerk	\$ 10,624
John Vickers(1)	Alderman	5,624
Aaron Penberthy(1)	Alderman	5,624
Charlis Lewis(1)	Alderman	5,624
Randy Howard(2)	Alderman	3,000
Sheila Wisdom(6)	Alderman	2,624
Ed Austin(1)	Mayor	5,624
Cindy Davis(1)	Utility Clerk	6,624
Richard Davis(1)	Street Department	8,624
Stevin Austin(3)	Street Department	5,624
Randy Barton(1)	Street Department	8,623
Tom Donaldson(6)	Police Department	2,623
Jason Jarvis(2)	Police Department	4,000
Emily Portell(1)	Police Department	8,624
Josh Sadler(6)	Police Department	2,623
John Spradling(4)	Police Department	5,000
Kevin Brooks(1)	Water/Sewer Operator	8,624
Joshua Waeltz(5)	Sewer Department	1,000
Alan Christopher(6)	Sewer Department	2,623
Grand Total		\$103,356

(1) Received all three bonus payouts.

(2) Received the bonus payout from September 10, 2021, and December 7, 2021.

(3) Received the bonus payout from September 10, 2021, and May 26, 2022.

(4) Only received the bonus payout from September 10, 2021.

(5) Only received the bonus payout from December 7, 2021.

(6) Only received the bonus payout from May 26, 2022.

The U.S. Department of the Treasury, which published the 2022 Overview of the Final Rule,<sup>2</sup> lists "Premium Pay" as an acceptable expenditure of the SLFRF grant. According to the Department of the Treasury, Premium Pay could be provided to eligible workers performing essential work who bore the

<sup>2</sup> Additional guidance was published in August of 2023 regarding approved uses for SLFRF money. This document added details and more ways that funds could be used, but none included premium pay for non-eligible workers.



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greatest health risk because of their service in critical sectors. The Department of the Treasury identified "eligible" workers as those needed to maintain continuity of operations of essential critical infrastructure sectors. This includes sectors and occupations such as health care, sanitation, pharmacy, child care, government, and education. The city provided no documentation showing how the aldermen, mayor, or other city employees met the criteria to qualify as an essential worker or that the aldermen evaluated this to determine that the employees receiving the bonuses were qualified under the "Premium Pay" rule. Any funds used in violation of the final rule, according to the Department of the Treasury, are subject to remediation and recoupment. During recorded interviews, Mayor Austin, Alderman Vickers, and Alderman Lewis indicated they did not consult legal counsel and did not read the grant guidance published by the federal government. Instead, they indicated they relied on City Clerk Boyer to determine what the money could be spent on. City Clerk Boyer indicated it was the Board's decision.

In March 2023, City Clerk Boyer filed an annual report with the U.S. Department of the Treasury indicating a total of \$103,373 was spent on premium pay. The report only states the city paid "workers that worked during covid" or "paid our employees covid pay" as a description and does not explain how the employees or board members qualified for premium pay.

Christmas bonuses

The Board approved additional Christmas bonuses totaling \$756<sup>3</sup> in December 2022 to all employees in violation of the Missouri Constitution. The November 2022 Board meeting minutes indicate the Board voted to give all six employees a \$100 bonus. These bonuses represent compensation for services previously rendered.

Conclusion

Paying bonuses is a violation of Article III, Section 39(3), Missouri Constitution and contrary to Attorney General's Opinion 72-1955 (June 14, 1955), which states, ". . . a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered." City personnel indicated they did not know why these payments were made by the Board. During a recorded interview Alderman Lewis stated the city always gave out Christmas bonuses and he was unaware that it was against the Missouri Constitution to give out bonuses.

Citizens have placed a fiduciary trust in their public officials to spend city money in a prudent and necessary manner. Board meeting minutes indicate the city sewer system needed work during the time the Board authorized the

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<sup>3</sup>The total gross amount paid includes amounts added for taxes and benefits so the net pay for each employee was \$100.



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grant funded bonuses to employees. Two Aldermen also confirmed this in recorded interviews. Water and sewer infrastructure is an allowable use of SLFRF funds. Given the city's financial issues discussed in MAR finding number 2, the SLFRF funding was an opportunity for the Board to address existing issues and make improvements for the future rather than providing themselves and city employees bonuses.

## 1.2 Payroll matters

The SLFRF bonuses were not processed through the city payroll system and reported on the employees' W-2 forms, appropriate employee payroll taxes were not withheld from them, and the employer share of payroll taxes was not paid. City Clerk Boyer indicated during a recorded interview the money was kept in a separate account, so checks were just written out of it.

IRS regulations require individuals treated as employees to have all compensation reported on W-2 forms. In addition, IRS guidance indicates any premium pay issued from SLFRF should be included as gross pay.<sup>4</sup> To ensure it is properly reported and taxed, all compensation needs to be paid through the normal city payroll process. The failure to properly report and tax all wages could result in the assessment of penalty and interest charges against the city.

## Recommendations

The Board of Aldermen:

- 1.1 Strengthen internal controls over all grant funds to ensure expenditures are allowable. In addition, discontinue paying employee bonuses. The Board work with legal counsel to determine the best course of action to recoup money paid as bonuses from SLFRF funds, and either allocate the money towards allowable SLFRF expenditures, if possible, or repay funds to the grantor agency.
- 1.2 Establish procedures to ensure all compensation is paid through the city's payroll system, is properly reported, and payroll taxes are withheld and remitted to the appropriate taxing entity. In addition, the Board amend the W-2 forms for all employees whose income was not properly reported.

## Auditee's Response

- 1.1 *We will strengthen internal controls over all grant funds to ensure expenditures are allowable. We will discontinue paying employee bonuses. We will seek legal counsel to determine the best course of action to recoup money paid as bonuses from SLFRF funds, and*

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<sup>4</sup> FS-2022-36, IRS updates frequently asked questions for states and local governments on taxability and reporting of payments from Coronavirus State and Local Fiscal Recovery Funds. < <https://www.irs.gov/newsroom/irs-updates-frequently-asked-questions-for-states-and-local-governments-on-taxability-and-reporting-of-payments-from-coronavirus-state-and-local-fiscal-recovery-funds>>. Accessed December 2, 2025.



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*either allocate the money towards allowable SLFRF expenditures, if possible, or repay funds to the grantor agency.*

1.2 *We have already established procedures to ensure all compensation is paid through the city's payroll system, is properly reported, and payroll taxes are withheld and remitted to the appropriate taxing entity. In addition, we will work towards amending the W-2 forms for all employees whose income was not properly reported.*

## 2. Financial Condition

The financial condition of the city's General Fund is declining. The Board is not adequately monitoring the city's financial condition, is not receiving detailed information showing financial data for each fund, and has poor budgeting procedures.

### General Fund

General Fund expenditures continuously exceeded revenues for fiscal years 2021-2024. The city does not track beginning and ending fund balances so they do not know what funds are available. However, the pattern of spending in excess of revenue indicates General Fund balances will continue to decline. The following table presents the actual revenues and expenditures of the General Fund for the 4 years ended March 31, 2024:

	2021	2022	2023	2024
Revenues	\$ 317,541	359,349	345,810	319,695
Expenditures	409,322	370,760	401,115	403,942
Difference	\$ (91,781)	(11,411)	(55,305)	(84,247)

The city received and spent SLFRF funds during 2022, 2023, and 2024. We removed these revenues and expenditures from the amounts listed as they were one-time restricted funding.

Also, as noted in MAR finding number 3, the city deposits restricted street, water, and sewer funds in the same account as General Fund money and does not separately track the funds. As a result, water and sewer funds are likely subsidizing the General Fund.

Financial reports showing accurate fund balances for each fund are not routinely prepared and provided to the Board, nor does the Board ask for them. Without detailed financial data that includes cash balances for each fund, the Board cannot properly monitor the balances of the various city funds. Separate accounting of restricted funds is necessary to ensure the funds are used for their intended purposes.

### Budgets

The city's budget for the year ended March 31, 2024, was only a spreadsheet showing budgeted revenues and expenditures by fund and did not include all statutory requirements. The budget did not include a budget message, the actual beginning and estimated ending cash balances, or a budget summary. The city budgeted expenditures to exceed revenues for the General Fund



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without knowing the beginning fund balance, so it could not determine if funds would be available to cover the budgeted expenditures. In addition, the Board does not monitor the budget periodically to determine if the city exceeds budgeted expenditure amounts. Alderman Lewis and Alderman Vickers indicated in recorded interviews that they did not review the budget throughout the year and the City Clerk kept them updated.

Section 67.010, RSMo, requires the budget to present a complete and accurate financial plan for the ensuing budget year including a budget message describing major changes, and states the total proposed expenditures from any fund cannot exceed estimated revenues plus any unencumbered balance. Realistic projections of the city's uses of funds and fund balances are essential for the efficient management of finances and for communicating accurate financial data to city residents. Proper monitoring is necessary for the budget to be an effective management tool and to comply with state law.

Conclusion

It is essential the Board addresses its financial condition both immediately and long-term. Detailed financial information including accurate beginning and ending fund balances, and complete budgets, are necessary. The failure to prepare complete budgets and a lack of appropriate financial data make it apparent the Board is not adequately monitoring the city's financial condition. The Board needs to reduce spending where possible, evaluate management practices to ensure efficient use of resources, monitor detailed financial data that includes fund balances for each fund, and closely monitor budgets.

Recommendation

The Board of Aldermen ensure detailed financial data is reviewed monthly; perform immediate and long-term financial planning; and closely monitor, and take necessary steps to improve, the city's financial condition. In addition, prepare annual budgets that contain all information required by state law and ensure the budgets are adequately monitored.

Auditee's Response

*We have started to ensure detailed financial data is reviewed monthly; perform immediate and long-term financial planning; and are closely monitoring and taking necessary steps to improve, the city's financial condition. In addition, we will prepare annual budgets that contain all information required by state law and ensure the budgets are adequately monitored.*

**3. Restricted Funds**

City handling and accounting procedures for restricted funds need improvement. City officials deposited motor vehicle, utility money, and utility security deposits in the General Fund and did not separately track the related receipts and expenditures.

State motor vehicle funds

City personnel do not separately identify state motor-vehicle related money or related transactions in the General Fund. These revenues totaled approximately \$55,990 for the year ended March 31, 2022, and \$61,710 for



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the year ended March 31, 2023. As a result, the city cannot ensure the money is only used for street related expenditures as required or determine what portion of the General Fund balance represents restricted street related monies.

Missouri Constitution, Article IV, Sections 30(a) and 30(b), require motor-vehicle related receipts apportioned by the state of Missouri be disbursed for street related purposes only. A separate accounting, with a current balance, is necessary to ensure street related revenues are accounted for and expended properly in compliance with the Missouri Constitution. City personnel indicated they were unaware of the need to track these funds and only use them for street related purposes.

Water and sewer funds

The city is comingling the water and sewer funds with the General Fund, making it hard to identify which money is for restricted use. Water and sewer receipts totaled approximately \$474,420 for the year ended March 31, 2022, and \$505,440 for the year ended March 31, 2023.

Section 250.150.1, RSMo, restricts the use of water and sewer receipts for operating the systems, payment of bonds, establishment of a reserve, fulfillment of any agreements contained in ordinances, and payment of costs of improvements of such systems. Separate accounting of restricted funds is necessary to ensure compliance with state law. City personnel indicated they were unaware of the need to track these funds and only use them for water and sewer related purposes.

Water security deposit funds

The city does not maintain a listing of refundable customer security deposits to reconcile to balances held in the General Fund. The city currently collects a \$150 security deposit from new water customers. Prior to November 2018, the city collected a \$75 deposit. City personnel deposit this money into the General Fund. City personnel indicated there are 439 utility accounts. Based on this, we estimate the total utility deposit liability to range anywhere from \$32,925 (439 customers at \$75 each) to \$65,850 (439 customers at \$150 each). The General Fund balance as of March 31, 2023, totaled \$107,576.

Refundable water security deposits are not only restricted funds held for customers, they constitute a liability for the city. Periodic reconciliation of customer security deposit balances to city accounting records would help ensure adequate funds were available for refunds and would allow for prompt detection of discrepancies. City personnel indicated they were unaware of the importance of keeping a list of customer security deposits.

Recommendation

The Board of Aldermen determine the balance of motor-vehicle related revenues, the balance of the water and sewer revenues, and the balance of water security deposits in the General Fund and establish separate funds or separately account for these monies within the General Fund.



## Auditee's Response

*We will determine the balance of motor-vehicle related revenues, the balance of the water and sewer revenues, and we already have determined the balance of water security deposits in the General Fund and will establish separate funds or separately account for these monies within the General Fund.*

## 4. Sunshine Law

The city does not always comply with the Sunshine Law for open and closed Board meetings. We noted concerns with minutes for meetings held from April 2021 through March 2023.

### 4.1 Closed meetings

The city did not list the reason for going into closed meetings, discussed topics not allowed, and failed to document roll call votes. The city held 39 closed meetings from April 2021 through March 2023 and classified 11 as emergency closed meetings.

#### Reasons for closed meetings

During our review of meeting minutes and meeting notices, we noted neither listed the specific reason or section of law allowing the closed meeting for the 39 closed meetings held. Additionally, open meeting minutes did not properly note a closed meeting took place for 14 of 25 regular meetings.

Section 610.022, RSMo, requires public bodies to announce the specific reasons allowed by law for going into a closed session and to enter the vote and reason into the minutes. City personnel indicated they were unaware of the need to list the exact statute or vote to go into closed session in the open meeting.

#### Allowable topics

During 24 of the 39 closed meetings reviewed, the Board discussed topics that were not allowable. For example, as discussed in MAR finding number 1.1, the Board discussed and voted on paying Christmas bonuses. Additional unallowable topics included running an ad for summer help, buying a copier, general operations of the dog pound, new tires, the fuel budget, oil changes, and purchasing supplies for the police department. The Board indicated it was not aware of limitations on what could be discussed in closed meetings. Section 610.022, RSMo, provides that the discussion topics and actions in closed meetings be limited to only those specifically allowed by law.

#### Roll call votes

The Board does not take roll call votes during closed session as required. Instead, the mayor or an alderman asks for a motion, an alderman seconds the motion, and the minutes only state "all in favor" and the motion carried. For the minutes reviewed, the Board voted 31 times and none included which Board members voted "yea" or "nay" by roll call as required. City personnel indicated they thought votes could be recorded the same way as during regular open meetings. Section 610.015, RSMo, requires any votes taken during a closed meeting be taken by roll call and the votes recorded by the Board member's name.



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## 4.2 Telephone meetings

The Board did not provide sufficient notice or opportunity to attend open meetings held by telephone as required. During the period April 2021, through March 2023, the Board held 60 open meetings, which included 25 regular meetings, 21 phone meetings, 11 special meetings, and 3 emergency meetings. The Board did not give 24 hour notice of the 21 phone meetings or provide any information on how the public could attend meetings held by phone. Additionally, the Board did not document the reason for holding the 3 emergency meetings. During a recorded interview, Alderman Lewis indicated that, in the past, they did phone votes on single topics when needed and that no notice was given to the public in advance for these meetings.

Sufficient notice of open meetings including information on time, location, and means of attendance is necessary to ensure the public has an opportunity to participate. Section 610.020.1, RSMo, requires all public governmental bodies to give notice of the time, date, and place of each meeting, and if the meeting will be conducted by telephone or other electronic means, the designated location where the public may observe and attend the meeting. Section 610.020.2, RSMo, requires notice to be given at least 24 hours prior to the commencement of any meeting of a governmental body. Section 610.020.4, RSMo, requires if it is necessary to hold a meeting on less than 24 hours' notice, or at a place that is not reasonably accessible to the public, or at a time that is not reasonably convenient to the public, the nature of the good cause justifying that departure from the normal requirements shall be stated in the minutes. City officials indicated notice requirements were not met because the Board needed to vote on items that required immediate attention.

## 4.3 Sunshine Law public access policy

The city has not adopted a written policy regarding public access to city records, as required, or developed a log to track Sunshine Law requests. A public access policy allows the city to identify a person to contact, provide an address to mail such requests, establish fees that may be assessed for providing copies of public records, and require the city to document Sunshine Law requests in a log.

Section 610.028, RSMo, requires a written policy regarding release of information under the Sunshine Law. Section 610.023, RSMo, lists requirements for making records available to the public. To ensure compliance with this section, the city needs to document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. The log information needs to include the date of the request, a brief description of it, the date it is completed, and any associated costs to fulfill. City personnel indicated they were not aware of the requirement for a written public access policy or need for a request log.



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## Recommendations

The Board of Aldermen:

- 4.1 Ensure specific reasons for closing a meeting are documented in the open minutes, only topics allowed by state law are discussed in the closed meeting, and votes taken in closed session are recorded by a roll call.
- 4.2 Ensure all Board meetings are held at a place and in a manner to accommodate and allow the public access to the meetings, proper notification and agendas for public meetings are given, and the reasons for holding emergency meetings are documented.
- 4.3 Develop a written public access policy, and maintain a public request log or other documentation to help ensure compliance with state law.

## Auditee's Response

- 4.1 *We will ensure specific reasons for closing a meeting are documented in the open minutes, only topics allowed by state law are discussed in the closed meeting, and votes taken in closed session are recorded by a roll call.*
- 4.2 *We will ensure all Board meetings are held at a place and in a manner to accommodate and allow the public access to the meetings, proper notification and agendas for public meetings are given, and the reasons for holding emergency meetings are documented.*
- 4.3 *We will develop a written public access policy, and maintain a public request log or other documentation to help ensure compliance with state law.*

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## 5. Utility System Controls and Procedures

Utility system controls and procedures need improvement. According to the city's accounting records, the city collected approximately \$450,130 for water and sewer services during the fiscal year ended March 31, 2024.

### 5.1 Delinquent utility accounts and partial payments

City personnel do not always shut off services when utility accounts are over 30 days past due and inform the Board about delinquent accounts, as required by ordinance. Additionally, the former Utility Clerk allowed customers to make partial payments without Board approval.

According to city records, in February 2023, 60 of the 439 utility accounts were more than 30 days past due with 8 accounts having past due balances of more than \$200. Prior to the next billing cycle, the city shut off services for 3 of the 8 accounts and the account holders paid the balances due for the other 5. City personnel indicated the former Utility Clerk allowed accounts to be past due without shutoff. The former Utility Clerk also allowed partial utility



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payments without any written agreement with the customer and no one independent of the utility functions reviewed or approved the payments. The Board indicated they were unaware of the partial payments.

City ordinance No. 700.070 requires delinquent accounts be shut off when the account is more than 30 days overdue and that the Board be informed of any such delinquency. Allowing customers to receive service without paying or paying only partially without a formal agreement reduces the incentive to make payments, reduces city receipts, and could impact utility rates for other paying customers. An ordinance for partial payments is necessary to establish and document the process to determine when payment agreements are allowed, how payments are to be established, and the approval process for these arrangements. In addition, a signed written payment agreement is necessary to indicate the intent of the customer to pay the outstanding balance and to aid in the accounting for and collection of amounts due. A periodic review by the Board of a listing of all delinquent amounts would help ensure adequate follow-up procedures are performed.

## 5.2 Non-monetary adjustments

Controls over non-monetary utility adjustments need improvement. Non-monetary adjustments are any transactions for which the city receives no money; however, the amount due in the accounting system changed. City personnel post non-monetary adjustments in the utility system to reduce balances due to water leaks or uncollectible accounts. The Board does not review or approve the adjustments and no one prepares a listing of adjustments posted to the system to compare to known or expected adjustments. City personnel indicated they often discuss adjustments with the Mayor, but do not retain documentation. City personnel also indicated they were unaware of the need to retain documentation of the reason for the adjustment and compare the approved adjustments to what was recorded in the accounting system.

Approving all non-monetary adjustments prior to their posting and later having an independent person compare a list of the completed adjustments to the list of approved adjustments, is necessary to ensure adjustments made are proper. Failure to review adjustments increases the risk of theft or misuse going undetected.

## 5.3 Utility reconciliation

City personnel do not perform monthly reconciliations of total billings, payments received, and amounts remaining unpaid for utility services.

Monthly reconciliations are necessary to ensure all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected timely. City personnel indicated they were not aware of the importance of preparing and reviewing these reconciliations.



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## 5.4 Annual audits

The city has not obtained annual audits of its combined waterworks and sewerage system as required by state law and the United States Department of Agriculture (USDA) bond agreement. The city last obtained an audit in 2019.

Section 250.150, RSMo, requires the city to obtain annual audits of the combined waterworks and sewerage system, with the cost of the audit to be paid from revenues received from the system. Additionally, the city's USDA bond agreement requires an audit within 180 days of the end of the fiscal year. Failure to obtain annual audits results in noncompliance with state law and the bond agreement. City personnel could not explain why the city stopped obtaining annual audits.

## Recommendations

The Board of Aldermen:

- 5.1 Ensure utility service is shut off in accordance with city ordinance. In addition, if the Board wants to allow partial payments, it should establish a written ordinance, review and approve customer payment agreements, and monitor delinquent accounts.
- 5.2 Establish policies and procedures to ensure all utility account adjustments are properly approved and compared to actual changes posted to the computer system, and documentation of the adjustments is retained.
- 5.3 Establish procedures to ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts, and investigate significant differences.
- 5.4 Obtain annual audits of the water and sewer system as required by state law and bond agreement.

## Auditee's Response

- 5.1 *We will ensure utility service is shut off in accordance with city ordinance. In addition, we will establish a written ordinance, review and approve customer payment agreements, and monitor delinquent accounts.*
- 5.2 *We will establish policies and procedures to ensure all utility account adjustments are properly approved and compared to actual changes posted to the computer system, and documentation of the adjustments is retained.*
- 5.3 *We will establish procedures to ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts, and investigate significant differences.*



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5.4 *We are in the process of obtaining annual audits of the water and sewer system as required by state law and bond agreement.*

## 6. Bond Requirements

The city failed to comply with its 2018 bond covenants as follows:

- The city does not maintain a separate fund for water and sewer revenues. As noted in MAR finding number 3, water and sewer revenues are deposited into the General Fund account.
- The city does not allocate and restrict enough money to cover water/sewer system expenses. City officials initially determined the city needed \$2,500 per month to meet system expenses and made payments of this amount into a separate account monthly until June 2023. Current city personnel were not aware of the need to allocate funds for this purpose.
- The city does not deposit 1/6 of its monthly debt service payment, approximately \$2,670, into a separate debt service account.
- The city does not have a surplus account to hold any money remaining from the Revenue Fund after expenses.
- The city does not complete an annual budget containing all the requirements of Missouri law. As noted in MAR finding number 2, the city does not comply with all statutory budgeting requirements.

The 2018 bond agreement requires the city to establish a Revenue Fund in which all of the water/sewer revenues be kept segregated; credit "...an amount sufficient to pay estimated monthly expenses" into an Operations and Maintenance Account; fund a Debt Service Account with 1/6 of the bond payment amount monthly; have a Surplus Account for any remaining money; and annually prepare a budget setting forth the estimated receipts and expenditures of the system for the next fiscal year.

Failure to comply with bond agreement covenants could jeopardize future financing opportunities for the city. City personnel indicated they were unaware of the bond covenants.

### Recommendation

The Board of Aldermen ensure compliance with all bond covenants.

### Auditee's Response

*We will ensure compliance with all bond covenants.*



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## 7. Accounting Controls and Procedures

Accounting controls and procedures need improvement. City revenue and expense reports indicate the city received approximately \$896,190<sup>5</sup> and disbursed approximately \$822,720 during the fiscal year ended March 31, 2023. For the fiscal year ended March 31, 2024, the city received approximately \$806,170, and disbursed approximately \$797,230.

### 7.1 Bank reconciliations

The former City Treasurer did not prepare adequate or timely bank reconciliations.

During our initial investigation, we noted two 2021 bank errors the city did not identify because the former City Treasurer did not properly reconcile the account. In both instances, the bank debited city accounts for money orders, one for \$400 and one for \$500, the city did not obtain. It was not until we pointed out these errors that the bank refunded the \$900. It is unclear why the former City Treasurer did not detect these errors. City personnel also do not reconcile credit card payments received with deposits made into the city General Fund account when reconciling the accounts. The City Clerk did not realize the importance of reconciling credit card receipts, and instead relied on the credit card processor to ensure all deposits were made properly.

In addition, city personnel did not prepare bank reconciliations timely for any of the city's 9 bank accounts. City personnel did not prepare bank reconciliations for the accounts after the former City Treasurer resigned in June 2023 until a new treasurer was hired in April 2025. The City Clerk indicated there was no time to complete bank reconciliations along with all of her other duties.

Performing adequate and timely monthly bank reconciliations is necessary to ensure accounting records are accurate and to identify errors timely. Failure to perform bank reconciliations allowed errors and losses to go undetected.

### 7.2 Receipting

The city has not established adequate procedures for receipting utility payments. City personnel receive utility payments, enter the payment into the system, then mark the bill "paid" and return it to the customer. City personnel do not keep a copy of the statement, issue a receipt slip, or record the receipts on a log to track payments received. Additionally, the system does not generate a receipt or control number for each transaction so there is no way to keep track using the system. At the end of the day, the deposit is made based on daily system reports; however, without either manual numerical receipt records or system generated numerical receipt records, there is nothing

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<sup>5</sup> City revenue sources include real and personal property taxes; railroad and utility taxes; motor vehicle gas tax; sales tax; franchise fees; permits; fines and court costs; water and sewer revenue; and other income.



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for comparison to ensure system reports and the subsequent deposit are complete.

Failure to implement adequate receipting procedures increases the risk that loss, theft, or misuse will occur and go undetected. City personnel were unaware of the importance of receipting every utility payment.

## Recommendations

The Board of Aldermen:

- 7.1 Establish procedures to ensure monthly bank reconciliations are prepared properly and timely.
- 7.2 Establish procedures for receipting all utility payments and compare them to the daily system report and the deposit.

## Auditee's Response

- 7.1 *We will establish procedures to ensure monthly bank reconciliations are prepared properly and timely.*
- 7.2 *We will establish procedures for receipting all utility payments and compare them to the daily system report and the deposit.*

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# City of Leadwood

## Organization and Statistical Information

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The City of Leadwood is located in St. Francois County. The city was incorporated in 1964 and is currently a fourth-class city. The city had 7 employees on March 31, 2023. The city's population was 1,178 in 2020, according to the U.S. Census Bureau.

### Mayor and Board of Aldermen

The Mayor and the Board of Aldermen at March 31, 2023, are identified below:

Ed Austin, Mayor (1)  
Garrett Evan, Alderman (2)  
Charlie Lewis, Alderman (3)  
Aaron Penberthy, Alderman (4)  
John Vickers, Alderman (5)

- (1) Ed Austin was elected in April 2021 and served as Mayor until April 2023. Robert Crump was elected in April 2023 and served until he passed away in September 2023. Anna Woods served as Mayor Pro Tem from September 2023 until April 2024. Charles White was elected in April 2024 and re-elected in April 2025 for a 2-year term.
- (2) Garrett Evan was appointed in January 2023, was elected in April 2023, and served until June 2023. Mary Gilbert was appointed in September 2023 and elected in April 2025 for a 2-year term.
- (3) Charlie Lewis was elected in April 2021 and served until April 2023. Anna Woods was elected in April 2023 and served until April 2025. Jeff Mahurin was elected in April 2025 for a 2-year term.
- (4) Aaron Penberthy was appointed in August 2021, was elected in April 2022, and served until April 2024. Dawn Wilkinson was elected in April 2024 for a 2-year term.
- (5) John Vickers was appointed in June 2021, was elected in April 2022, and served until April 2023. Richard Davis was elected in April 2023 and served until June 2023. Tommy Radford was appointed in July 2023 and served until April 2024. Todd Watson was elected in April 2024 for a 2-year term.

### Other Principal Officers

The City Clerk, Utility Clerk, and City Treasurer are appointed positions. These officials, as of March 31, 2023, are identified below.

Kendra Boyer, City Clerk (1)  
Susan Stacy, Utility Clerk (2)  
Yvette Smith, City Treasurer (3)

- (1) Kendra Boyer served as City Clerk until July 2023, and Amanda Queen was appointed in July 2023 and currently serves as the City Clerk.
- (2) Susan Stacy served as Utility Clerk until September 2023. Verna Hawanchak was appointed in August 2023 and served until March 2024. Lake Burch was appointed in February 2024 and served until March 2025. Nathan Landers was appointed in February 2025 and served until March 2025, and Courtney Pinkard was appointed in March 2025 and currently serves as the Utility Clerk.



City of Leadwood  
Organization and Statistical Information

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(3) Yvette smith served as City Treasurer until June 2023. Lisa Rawson was appointed in April 2025 and currently serves as City Treasurer.

Financial Activity

A summary of the city's revenues and expenditures, obtained from reports provided by the city, for the fiscal years ended March 2021, 2022, 2023, and 2024, follows. As noted in MAR finding numbers 2 and 5, the city does not maintain accurate beginning and ending fund balances and has not obtained an audit since 2019, so we were unable to present beginning and ending balance information.



City of Leadwood  
 Organization and Statistical Information

City of Leadwood  
 Schedule of Revenue and Expenditures  
 April 1, 2020, to March 31, 2024

	Year Ended March 31, 2021			
	General Fund	Water Fund	Sewer Fund	Total
REVENUE	\$ 317,541	312,386	170,259	800,186
EXPENDITURES	409,322	293,482	176,178	878,982
DIFFERENCE	\$ (91,781)	18,904	(5,919)	(78,796)

	Year Ended March 31, 2022			
	General Fund	Water Fund	Sewer Fund	Total
REVENUE	\$ 359,349	341,765	172,443	873,557
EXPENDITURES	370,760	232,534	151,092	754,386
DIFFERENCE	\$ (11,411)	109,231	21,351	119,171

	Year Ended March 31, 2023			
	General Fund	Water Fund	Sewer Fund	Total
REVENUE	\$ 345,810	373,760	176,616	896,186
EXPENDITURES	401,115	260,991	160,612	822,718
DIFFERENCE	\$ (55,305)	112,769	16,004	73,468

	Year Ended March 31, 2024			
	General Fund	Water Fund	Sewer Fund	Total
REVENUE	\$ 319,695	318,015	168,458	806,168
EXPENDITURES	403,942	256,554	136,735	797,231
DIFFERENCE	\$ (84,247)	61,461	31,723	8,937