

**Town of Homer  
Summary of Issues**

**As of February 15, 2025**

**Budget for 2025 Fiscal Year/ Estimate of Revenue and Expenses**

In December 2024, the Board of Selectmen adopted the budget for the 2025 fiscal year. Because of the numerous accounting issues that were disclosed in my initial quarterly report, we did not amend the 2024 budget. The 2025 budget was prepared using information that was available and includes the increased revenue from water and sewer in the enterprise fund and includes \$674,000 in the enterprise fund for bond principal, interest, and reserves. This budget also includes amounts in general, police, street, recreation, industrial, and enterprise funds for past-due and unpaid obligations from 2023 and 2024 as well as unpaid payroll taxes. The following is a summary of the 2025 budget, as it was adopted.

Town of Homer Budget Summary 2025							
				EXCESS OF REVENUE OVER EXPENSES	OTHER FINANCING SOURCES	OTHER FINANCING USES	NET CHANGE FUND BALANCE
FUND	REVENUE	EXPENSES					
GENERAL FUND	\$ 1,365,229.00	\$ (1,052,926.00)	\$ 312,303.00	\$ -	\$ (312,000.00)	\$ 303.00	
POLICE FUND	\$ 479,100.00	\$ (435,056.00)	\$ 44,044.00	\$ 30,000.00	\$ (74,000.00)	\$ 44.00	
FIRE FUND	\$ 109,609.00	\$ (109,609.00)	\$ -	\$ -	\$ -	\$ -	
STREET FUND	\$ 276,205.00	\$ (316,205.00)	\$ (40,000.00)	\$ 90,000.00	\$ (50,000.00)	\$ -	
RECREATION FUND	\$ 134,761.00	\$ (84,761.00)	\$ 50,000.00	\$ -	\$ (50,000.00)	\$ -	
HOTEL/TOURISM FUND	\$ 35,030.00	\$ (49,004.00)	\$ (13,974.00)	\$ 14,000.00	\$ -	\$ 26.00	
INDUSTRIAL FUND	\$ 5,845.00	\$ (8,530.00)	\$ (2,685.00)	\$ 22,685.00	\$ (19,969.00)	\$ 31.00	
CONTINGENCY FUND	\$ 58,934.00	\$ -	\$ 58,934.00	\$ -	\$ (66,685.00)	\$ (7,751.00)	
ENTERPRISE FUND	\$ 2,648,377.00	\$ (1,780,700.00)	\$ 867,677.00	\$ -	\$ (864,600.00)	\$ 3,077.00	

While this is the budget that was submitted to and approved by the Board of Selectmen, in February 2025, I located all the sales tax ordinances that were not previously available and found that the taxes have not been properly allocated (See Sales Tax Allocation Section herein) to the appropriate funds over the past several years. Therefore, this budget will have to be amended to reflect a proper allocation of the sales tax collections. I am currently seeking legal advice on the language contained in the sales tax propositions to ensure the appropriate use of sales tax revenue. Total revenue will remain the same; however, each fund may have different revenue and expenses.

**Sales Tax Allocation**

The town has not been properly allocating sales tax revenue to the appropriate fund for the past several years. The 2021 fiscal year audit report dated February 13, 2023, included the following finding,

***2021-003 Sales Tax Allocations***

*Entity-Wide or Program/Department Specific: This finding is entity-wide.*

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*Criteria or Specific Requirement: All revenues of the individual funds should be in accordance with the ordinances as written and properly supported by Town Council determinations.*

*Condition: Sales tax allocations between each of the funds as direct by sales tax ordinances passed in 1971, 1986, and 2015 do not appear to be in accordance with the sales tax ordinances as they were originally written and passed by the voters. No revisions to the allocation methodology has occurred and/or changes have been proposed to the sales tax ordinances.*

*Effect: Revenues of the individual funds may be materially misstated, which has the potential to affect fund balances.*

*Cause: The Town is using a sales tax allocation spreadsheet developed by prior financial consultants, used by prior administrations, but there is a lack of supporting documentation to reconcile to the sales tax ordinances as passed by the voters.*

*Recommendation: We recommend the Town conduct a study on the sales tax ordinances and develop an allocation method that is in accordance with the ordinances as originally written, then any unassigned amounts may be properly allocated in accordance with Town Council's approval.*

*Views of responsible officials and corrective action plan: The Town will review sales tax ordinances and develop an allocation method that is in accordance with ordinances to ensure that allocations are distributed properly in accordance with Town Council approval.*

On January 15, 2025, I received the sales tax analysis that was prepared by Carr, Riggs, and Ingram, CPAs. Despite having the finding from the 2021 fiscal year audit report, the town had not taken any action to obtain all sales tax ordinances and to review the allocation. After my review, I had to search for all sales tax ordinances to make sure we had the most recent ordinance and proposition. There was an amendment to one of the five sales tax ordinances that had been approved by Town of Homer voters with a resolution adopted by The Board of Selectmen on December 14, 2015. Carr, Riggs, and Ingram did not have this amendment to the sales tax when their finding was developed. After reviewing all the documents, an allocation plan was developed and approved by the Board of Selectmen of the Town of Homer at their February 10, 2025, meeting. These allocations will impact the current budget, particularly the general fund. The table on the following page is a recap of the distribution of sales tax collections showing the new amounts based on the allocation that was approved, the prior amounts that were allocated, and the difference in revenue for each fund. The amounts shown are based on the January 2025 sales tax collections and represent only one month of the fiscal year.

The sales tax allocation that was approved by the Board of Selectmen in February 2025, will continue to be reviewed and amended, if necessary. Propositions approved by the voters for each of these taxes have specific language as to the use of the taxes and I am seeking legal advice and continuing to review this language to ensure that we are using the tax funds as authorized. Based on the newly adopted allocation, the general, fire, and contingency funds will have reductions in revenue while the street, police, recreation, and enterprise funds will have increases in revenue.

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Enterprise fund revenue will increase from sales taxes as the ordinance and proposition for the 2015 garbage sales tax specifies that the tax is dedicated and to be used primarily for residential garbage collections with any remaining proceeds for maintenance, improvements, equipment and materials for public works as follows: Public Streets and Parks 1/3, Water/Sewer Utility System 1/3, and Public Safety and Law Enforcement 1/3. The prior allocation did not use the garbage sales tax to first fund residential garbage services. Because of an increase in garbage service contractor provider fees, the Board of Selectmen authorized an \$8 fee per garbage customer to offset the increase in cost. This was an improper fee increase, and the board never knew that the sales tax was dedicated for these purposes before the funds could be used for any other purpose. In February 2025, the board rescinded this \$8 fee per customer.

**Recap  
January 2025 Sales Tax Collections Allocation**

General Fund		New	Prior	Difference
	General			
	Sales	\$ 7,000.00	\$ 23,158.01	\$ (16,158.01)
	Rededicated	\$ 42,626.56	\$ 42,263.41	\$ 363.15
	Garbage	\$ 10,000.00	\$ -	\$ 10,000.00
	TOTAL	\$ 59,626.56	\$ 65,421.42	\$ (5,794.86)
	General			
Street	Sales	\$ 30,537.05	\$ 17,368.52	\$ 13,168.53
	Rededicated	\$ -	\$ 289.48	\$ (289.48)
	Garbage	\$ -	9579.72	\$ (9,579.72)
	TOTAL	\$ 30,537.05	\$ 27,237.72	\$ 3,299.33
	General			
Police	Sales	\$ 10,179.02	\$ 5,789.51	\$ 4,389.51
	Rededicated	\$ 15,268.52	\$ 14,473.77	\$ 794.75
	Garbage	\$ 3,994.45	\$ 6,632.11	\$ (2,637.66)
	Special	\$ 14,473.67	\$ 14,473.67	\$ -
	TOTAL	\$ 43,915.66	\$ 41,369.06	\$ 2,546.60
	General			
Recreation	Sales	\$ 5,089.51	\$ 2,894.75	\$ 2,194.76
	Rededicated	\$ -	\$ 289.48	\$ (289.48)
	Garbage	\$ 3,989.66	\$ 2,947.61	\$ 1,042.05
	Special	\$ 7,236.87	\$ 7,236.87	\$ -
	TOTAL	\$ 16,316.04	\$ 13,368.71	\$ 2,947.33
	General			
Fire	Sales	\$ 5,089.51	\$ 2,894.75	\$ 2,194.76
	Rededicated	\$ -	\$ 289.48	\$ (289.48)
	Garbage	\$ -	\$ 5,526.76	\$ (5,526.76)
	TOTAL	\$ 5,089.51	\$ 8,710.99	\$ (3,621.48)

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Contingency

General				
Sales	\$	-	\$ 5,789.51	\$ (5,789.51)

Enterprise

Rededicated	\$	-	\$ 289.48	\$ (289.48)
Garbage	\$	39,910.97	\$ 33,208.88	\$ 6,702.09
TOTAL	\$	39,910.97	\$ 33,498.36	\$ 6,412.61

TOTAL ALL	\$	195,395.79	\$ 195,395.77	\$ 0.02
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As previously mentioned, it may be necessary to further revise this allocation based on further review and legal advice.

**Public Safety and Law Enforcement**

The 2025 fiscal year budget currently includes only \$435,000 for police operating expenses. The police activities are funded primarily from sales taxes (86% of budgeted revenue) and even with the additional sales tax funds after the new allocation that was approved by the Board of Selectmen, total revenue for the police fund will increase by only \$30,000 per year. The Town of Homer Police Department has limited resources to provide law enforcement activities in the town. Currently, there are only 3 officers, including the elected Chief of Police, and 5 dispatchers employed by the Homer Police Department. Approximately \$92,000 was paid to dispatchers in 2024. Based on expenses in January 2025, further cuts may be necessary. Expenses for January 2025 were \$44,526. Based on this spending level, projected expenses for the year would be \$534,300 which exceeds the currently adopted budget by approximately \$100,000. After the additional sales tax funds are added to the budget, projected expenses would still exceed the budget by approximately \$70,000.

The Claiborne Parish Sheriff has been unwilling to provide the dispatch function for the Town of Homer. However, the Sheriff has a significant presence in the Town of Homer with his deputies and responds to calls within the town. Beginning in September 2024, the Sheriff started submitting invoices to the town for calls his officers made in Homer. There is no budgeted expense to pay the sheriff for calls. From September through December, the Sheriff submitted invoices totaling \$61,000. The Sheriff also collects the property taxes on behalf of the town and deducted these invoices from the property tax collections that were remitted to the town.

After we received the first remittance of property taxes that deducted \$33,000 for calls the Sheriff made in Homer, I sent a letter to the Sheriff requesting the return of the property tax funds. I did not receive a response, and the Sheriff again deducted \$28,000 from a subsequent remittance of property taxes collected. Prior to my letter, I had conversations with the Sheriff regarding the overall law enforcement function of the town. For the Sheriff to do more in the Town of Homer, he would need funding from the town for increased activity; however, I believe it is improper to retain the property tax collections that are budgeted for other purposes. As previously mentioned, police activities are funded primarily from sales taxes and current sales tax proposition language may restrict the use of the sales tax funds.

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This is an ongoing issue, and I am seeking a solution that will provide the citizens of Homer with quality law enforcement activities that are within the funds available.

**Health Insurance**

The town paid health insurance premiums for former employees after they were no longer employed by the town. As of January 1, 2025, the town has paid \$32,892.42 of monthly insurance premiums to Blue Cross and Blue Shield of Louisiana for 6 former employees of the town. After we discovered this issue and requested that these former employees be removed from the town’s group policy, \$11,699.10 was credited to the town’s Blue Cross billing. Following is a listing of these former employees, their release date, the premiums paid by the town, and the amount credited by Blue Cross.

<b>Employee Name</b>	<b>Release Date</b>	<b>Premiums Paid by Town</b>	<b>Credit From Blue Cross</b>	<b>Difference</b>
Denarus Bennett	November 21, 2023	\$10,619.31	\$2,506.95	\$8,112.36
Antonio Casey	April 26, 2024	\$6,599.44	\$2,506.95	\$4,092.49
Sedrick Millage	May 29, 2024	\$5,774.51	\$2,506.95	\$3,267.56
Sol Hunter, Jr.	October 22, 2024	\$1,649.86	\$835.65	\$814.21
Jeremy Pickens	October 22, 2024	\$1,649.86	\$835.65	\$814.21
Shenika Wright	May 1, 2024	\$6,599.44	\$2,506.95	\$4,092.49
<b>TOTAL</b>		<b>\$32,892.42</b>	<b>\$11,699.10</b>	<b>\$21,193.32</b>

**Issues Reported on October 31, 2024, With Updates**

**Accounting Issues**

As previously reported, the town had not properly accounted for transactions. We have corrected these issues going forward and implemented internal controls over financial transactions to ensure the accuracy and reliability of financial information. We have a new external accountant who reviews transactions, prepares bank reconciliations, and prepares monthly profit and loss financial statements.

1. **Accounts Payable** As previously reported, accounts payable had not been entered into the accounting system since March 2024. We have now corrected the posting of accounts payable and have internal controls in place to ensure the proper recording of transactions. The accounts payable of the town as of February 5, 2025, are:

<b>Fund</b>	<b>Total Per QuickBooks</b>	<b>Accounts Payable Greater than 90 Days</b>	<b>Accounts Payable Less Than 90 Days</b>
General Fund	\$45,425	\$24,570	\$20,855
Enterprise Fund	\$172,968	\$121,603	\$51,365
Street Fund	\$80,787	\$78,039	\$2,748
Recreation Fund	\$65,455	\$55,849	\$9,606
Police Fund	\$60,473	\$53,714	\$6,759

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Fire Fund	\$2,093	\$0	\$2,093
Industrial Fund	\$3,116	\$2,389	\$727
Hotel Fund	\$0	\$0	\$0
Department of Motor Vehicles	\$0	\$0	\$0
Contingency Fund	\$0		\$0
<b>TOTAL</b>	<b>\$430,317</b>	<b>\$336,164</b>	<b>\$94,153</b>

This is now an accurate accounts payable summary.

As of February 5, 2025, the following are the known significant payables to vendors.

Balar Engineers	\$116,048
Entergy	\$65,370
Enterprise Fleet Management	\$13,565
Huntington Bank	\$21,461
Casha's Tax Service	\$10,500
Jackson Parish Sheriff	\$45,629
Ronald Lattier, Attorney	\$22,532
Tech Serve	\$9,969
Live View Technologies	\$33,404
Forensic Autopsy and Consulting	\$11,445
VISA	\$10,191
<b>TOTAL</b>	<b><u>\$360,114</u></b>

We have been attempting to pay most of these as we have funds available. Funds are not currently available to pay all these obligations and pay current operating expenses. There are also payments due for bonds and for unpaid payroll taxes as shown later in this summary.

2. **Bank reconciliations** As previously reported, bank reconciliations were not prepared on any of the towns' bank accounts for all of 2024 and 5 to 6 months of 2023. Bank reconciliations have now been prepared, and the numerous transactions that were not previously recorded have been entered.

Obviously, bank reconciliations were not reviewed by the mayor, treasurer, or anyone else employed by the town or these discrepancies would have been detected and corrected in a timely manner.

3. **Monthly Financial Statements** are now accurate and reliable. The first reliable profit and loss statements for the month of January 2025 were prepared by the new contract accountant and presented to the Board of Selectmen at their February 10, 2015, meeting.

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These financial statements were presented and discussed in detail with the board members and mayor. These financial statements included a comparison of budget to actual.

4. **Records** As previously reported, records such as invoices, deposit receipts, contracts, bond documents, etc. are not always readily available or easily located. We struggled to locate documents to support financial transactions. The files for 2024 transactions are incomplete and disorganized. To determine what is owed by the town, we have had to contact vendors to obtain copies of invoices. Additionally, we have been unable to locate deposit receipts for bank deposits for some transactions.

Records are now being maintained; however, there are still certain documents from 2023 and 2024 that we have been unable to locate.

5. **Expenses** were often paid by and recorded to the wrong fund and expenses that were paid by one fund for multiple funds such as insurance, workers compensation, auto leases, utilities, health insurance and payroll were not consistently or were not allocated to the appropriate fund for which the expense was incurred. Transfers from one fund to another were often not recorded in the accounting records. On occasion, expense payments were duplicated in two or more funds.

Transactions are now being recorded, and financial activity is monitored, we have made significant progress in getting accurate and reliable financial information from which we can oversee and manage the operations of the Town of Homer. While we have corrected many of the problems from 2023 and 2024, there are still some issues remaining that will be addressed as we continue to review information.

### Budget and Monitoring of Revenue & Expenses

1. **Budgeted** revenue and expenses were not monitored each month by the mayor or the town treasurer. As previously mentioned, financial statements with a budgetary comparison were prepared and submitted each month to the mayor and board of selectmen by the contract accountant. Also as previously mentioned, these statements were incomplete, inaccurate, and unreliable. Because the contract accountant had not performed bank reconciliations, she knew that the statements were inaccurate, and the town treasurer knew that accounts payable were not entered which impacted the reported expense totals. This caused a misleading budget to actual comparison that was presented to and reviewed by the board. The mayor also reviewed the monthly financial statements and should have known that the statements were inaccurate and unreliable.

We are now monitoring revenue and expenses each month and comparing to budgeted amounts. As previously mentioned, we are also preparing monthly financial statements with budgetary comparisons for presentation and discussion with the Board of Selectmen. We are using the budget to manage the operations of the town.

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2. **Spending** As previously reported, spending was not based on the budget approved by the Board of Selectmen. As mentioned in 1 above, there was no monitoring of the budget to actual revenue and expenses.

Spending is now based on amounts approved in the budget approved by the Board of Selectmen. If spending levels need to be changed because of unrecognized issues, we will make these changes within the constraints of the revenue available to the town.

We are currently working on an analysis of spending over the past 6 years; however, we have not completed this analysis. We hope to have this completed in early March, 2025.

3. **Budget Amendment for 2024 and Budget for 2025** Budget amendments for 2024 were not prepared because of the inaccuracies in the accounting records and the uncertainties of bond payment restructuring. The 2025 budget was prepared and approved prior to the beginning of the 2025 fiscal year.

**Payroll and Payroll Taxes**

1. **Payroll Forms 941 and L1** As previously reported payroll tax forms were not filed with the Internal Revenue Service or the Louisiana Department of Revenue for the 3<sup>rd</sup> and 4<sup>th</sup> quarters 2023 and the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2024. Payroll taxes were not remitted to the IRS or the Louisiana Department of Revenue for these quarters and most of the 3<sup>rd</sup> quarter of 2024. All forms have now been filed; however, the tax liability has not been paid.
2. **Payroll Tax Liability**, based on payroll entries to the accounting system, for unpaid payroll taxes is as follows.

<b>Town of Homer Payroll Liabilities for 2023 and 2024</b>			
<b>Description</b>	<b>2023</b>	<b>2024</b>	<b>Total</b>
Federal Withholding	\$36,582	\$44,652	\$81,234
Medicare Employee	\$9,837	\$12,140	\$21,977
Social Security Employee	\$21,167	\$27,635	\$48,802
Medicare Employer	\$9,837	\$12,140	\$21,977
Social Security Employer	\$21,167	\$27,635	\$48,802
Louisiana Withholding	\$8,534	\$15,412	\$23,946
<b>TOTAL TAXES</b>	<b>\$107,124</b>	<b>\$139,614</b>	<b>\$246,738</b>

In addition to the unpaid federal payroll taxes, as of December 23, 2024, the Internal Revenue Service has levied interest and penalties as follows.

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<b>Federal Payroll Taxes Penalties and Interest Assessed As of December 23, 2024</b>					
<b>Quarter</b>	<b>Failure to File Penalty</b>	<b>Failure to Pay Penalty</b>	<b>Failure to Make Proper Tax Deposit Penalty</b>	<b>Interest</b>	<b>Total</b>
3 <sup>rd</sup> Quarter 2024			\$3,524		\$3,524
2 <sup>nd</sup> Quarter 2024	\$6,328	\$1,172	\$7,031	\$1,756	\$16,287
1 <sup>st</sup> Quarter 2024	\$9,470	\$1,684	\$6,314	2,785	\$20,253
4 <sup>th</sup> Quarter 2023	\$12,822	\$3,134	\$8,548	\$5,237	\$29,741
3 <sup>rd</sup> Quarter 2023	\$7,709	\$2,398	\$5,166	\$4,070	\$19,343
2 <sup>nd</sup> Quarter 2023	\$1,651	\$624	\$2,464	\$1,067	\$5,806
1 <sup>st</sup> Quarter 2023	\$43	\$18	\$0	\$30	\$91
12/31/2022 W-2s	\$11,220			\$30	\$11,250
12/31/2021 W-2s	\$11,000			\$1,035	\$12,035
<b>TOTAL PENALTIES and INTEREST</b>	<b>\$60,243</b>	<b>\$9,030</b>	<b>\$33,047</b>	<b>\$16,010</b>	<b>\$118,330</b>

The total liability for federal and state payroll taxes, as of December 23, 2024, including penalties and interest is \$365,068. Additional penalties and interest may be assessed. On January 13, 2025, I met with an Internal Revenue Service Agent in Shreveport, LA to discuss the unpaid tax liabilities, to request a payment plan and to request the abatement of penalties. The agent I met was unable to help because of the large amount owed. I requested that an IRS Officer be assigned to the Town of Homer, and he stated he would submit the request. I also completed the appropriate forms for the abatement of penalties and sent a letter requesting a payment plan and assistance with the interest charges. I have not heard anything from this request.

Ultimately, I hope the IRS will abate the penalties and allow the town to enter into a payment plan for the unpaid taxes and interest. I am setting aside some fund to pay at least 15 percent of the tax liability with the remainder to be paid over at least 3 years. This will depend on the approval of the IRS. I hope to pay the Louisiana withholding tax liability over the next 6 months.

**Bond Payments and Reserves**

- 1. Louisiana Department of Health (LDH) Utility Revenue Bond Series 2015 Bond Payments** As previously reported, the town did not pay the principal, interest, and administrative fees for the December 31, 2023, due date on their bonds totaling approximately \$135,000. The town also did not pay the June 1, 2024, interest and administrative fees payment totaling approximately \$29,000. Approximately \$136,000 was also due December 1, 2024. I have been working with bond counsel for LDH to restructure these bonds and revise the payment schedule to move the unpaid balances into future

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years. Although we do not have a final agreement, the bond counsel submitted a revised payment schedule for the bonds. While this payment schedule may be revised after approval is obtained from LDH, we have begun making monthly payments into a bond sinking fund and a bond reserve fund. The January 2025 bond sinking fund payment was \$22,019 and this will continue until we have a final agreement, and hopefully monthly payments will be required to be made to a trustee bank. This amount includes sufficient funds to pay the interest and administrative fees that were due on December 1, 2024, to be paid on December 1, 2025. The January 2025 bond reserve fund payment was \$1,475 and this will continue monthly for five years to fully fund the bond reserve requirements. All payments come from water and sewer system revenue.

- 2. Louisiana Department of Environmental Quality (DEQ) Clean Water State Revolving Loan Fund Taxable Revenue Bonds, Series 2013** As previously reported, principal, interest, and administrative fees totaling approximately \$147,000 were not paid when due on December 1, 2023; however, payments were made. June 2023 and June 2024 interest and administrative fee payments totaling approximately \$14,000 were not paid when due. Approximately \$147,000 was due December 1, 2024. I have been working with bond counsel for DEQ to restructure these bonds and revise the payment schedule to move the unpaid balances into future years. Although we do not have a final agreement, the bond counsel submitted a revised payment schedule for the bonds. While this payment schedule may be revised after approval is obtained from DEQ, we have begun making monthly payments into a bond sinking fund and a bond reserve fund. The January 2025 bond sinking fund payment was \$14,578 and this will continue until we have a final agreement, and hopefully monthly payments will be required to be made to a trustee bank. This amount includes sufficient funds to pay the interest and administrative fees that were due on December 1, 2024, to be paid on December 1, 2025. The January 2025 bond reserve fund payment was \$1,300 and this will continue monthly for five years to fully fund the bond reserve requirements. All payments come from water and sewer system revenue.
- 3. Capital One Series 2013 Bonds** As previously reported, principal and interest totaling approximately \$156,000 were not paid when due on December 1, 2023, however, payments were made. Approximately \$159,000 was due December 1, 2024. I worked with bond counsel for Capital One to restructure these bonds and revise the payment schedule to move the unpaid balances into future years. The final agreement that was adopted by Ordinance by the Board of Selectmen provides for monthly payments to a trustee bank of \$14,327. The January 2025 bond reserve fund payment was \$2,666 and will continue monthly until the reserve requirements are met. All payments come from water and sewer system revenue.
- 4. USDA Rural Development Loan** is current as monthly draws of \$6,830 are made by USDA to repay the loan. The town has not been funding a short-lived assets account that is required by the bond documents. We have not yet begun to fund this account as we have been incurring expenses for water and/or sewer system improvements. However, we will begin funding this required account in March 2025.

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5. **Reserve Requirements** As previously reported, reserve requirements were not being met, and it appears that the town had not made any effort to budget or fund these reserves over the past 4 or 5 years. The budget for 2025 now includes reserve funding and as mentioned in Items 1 through 3 above, we have started making the reserve deposits.
  
6. **Water and Sewer System Revenue** As previously reported, revenue was not sufficient to pay the operating expenses of the systems and the bond and loan debts. The monthly debt service is approximately \$64,000, and this must be paid before any operating expenses. Revised rates were approved by the Board of Selectmen and were implemented beginning with the November 1, 2024, billing. (See Section below on water and sewer systems)

**Water and Sewer Systems**

1. **Water and Sewer System Revenue** was not sufficient to pay operating expenses and the bonds that are secured by water and sewer systems revenues. As previously reported, in September 2024, the Louisiana Rural Water Association completed a rate study for both water and sewer rates. Their study revealed the following.
  - Water billings were only generating 89 percent of the revenue necessary to sustain the water system. The water billings need to generate at least \$1,104,900 to meet operating needs, pay bonds, and fund reserves required by the bond agreements.
  - Sewer billings are only generating 59 percent of the revenue necessary to sustain the sewer system. The sewer billings need to generate \$1,049,700 to meet operating needs, pay bonds, and fund reserves required by the bond agreements.
  - The Louisiana Rural Water Association rate study recommended the following rate changes. These changes were approved by the Board of Selectmen on October 22, 2024, to be effective on November 1, 2024.
  
2. **Current Revenue** is meeting the projected needs indicated in the Louisiana Rural Water Association rate study. We monitor the billings and collections each month to ensure that the billings meet the estimated financial needs and that bills are paid.

<b>WATER RATES</b>				
<b>Class</b>	<b>Current Rate</b>		<b>New Rate Effective November 1</b>	
	<b>Base</b>	<b>Add per 1,000 gallons Used</b>	<b>Base</b>	<b>Add per 1,000 gallons Used</b>
Residential Inside	\$12.45	\$6.06	\$18.00	\$7.50
Residential Outside	\$15.37	\$6.06	\$22.00	\$7.50
Commercial Inside	\$23.46	\$6.06	\$26.00	\$7.50
Commercial Outside	\$17.48	\$6.06	\$30.00	\$7.50
<b>SEWER RATES</b>				
Residential Inside	\$8.43	\$5.52	\$24.00	\$9.00
Residential Outside	\$9.46	\$4.94	\$28.00	\$9.00
Commercial Inside	\$19.19	\$7.07	\$32.00	\$9.00
Commercial Outside	\$13.90	\$15.56	\$36.00	\$15.56

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- 3. Billings for Water and Sewer Services** were not included within the Utility Billing System software program for the month of February 2024. It appears that customers were not billed for February water and sewer services. The town uses Utility Billing Systems software for billing and recording collections. There is no billing report for the month of February in the system and the billing for March 2024 does not include two months of usage. This also happened in March 2023. I still have not yet been able to determine the cause of these discrepancies.

At the end of January 2025, we billed 1,381 water and sewer customers compared to 1,463 water and sewer customers billed at the end of July 2024. This is a reduction of 82 customers. We continue to disconnect water services when bills are not paid; however, all estimates of revenue were based on 1,460 customers. We are monitoring this each month.

- 4. Accounts Receivable** totaled \$665,000 on January 14, 2025; however, \$503,000 of this is from closed and inactive accounts. I have still not been able to spend the time determining the collectability of the closed and inactive past due amounts. We have continued to disconnect when bills are not paid.

**Personnel**

- 1. Payroll expenses** were approximately \$118,000 per month from January through July 2024. The town had 36 employees on August 7, 2024. After cutbacks because of the financial condition of the town, we now have 22 employees, the mayor, and 5 board members with a monthly payroll of approximately \$68,000 (\$816,000 annual amount).

Over the past 10 years, the number of employees and reported wages have increased dramatically. The following table shows the total wages reported from IRS Form W-3.

<b>Wages Reported on IRS Form W-3</b>				
<b>Year</b>	<b># of W-2s</b>	<b>Total Wages</b>	<b>Increase From Prior Year</b>	<b>Percent Increase</b>
2015	59	\$853,088	N/A	N/A
2016	66	\$894,914	\$41,826	4.90%
2017	66	\$896,971	\$2,056	0.23%
2018	71	\$951,358	\$54,387	6.06%
2019	85	\$1,067,766	\$116,409	12.24%
2020	86	\$1,125,615	\$57,848	5.42%
2021	100	\$1,384,752	\$259,137	23.02%
2022	102	\$1,371,805	(\$12,948)	-0.94%
2023	100	\$1,456,936	\$85,132	6.21%
2024	96	\$1,145,679	(\$311,257)	-21.36%

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The number of employees and the wages paid increased significantly beginning in 2019. The cumulative increase in wages above the 2018 level is \$1,844,407. The 2024 wages are lower because of cuts made after I came in as fiscal administrator in August 2024.

- 2. Additional Personnel Cuts** may be necessary; however, at this time I do not believe additional cuts are necessary.

### Leased Automobiles

- 1. Equity Lease Agreement** As previously reported, an agreement with Enterprise Fleet Management was signed by Mayor Xanthe Seals on May 10, 2021. The town had leased 14 vehicles from Enterprise at a monthly cost of approximately \$13,000. Additionally, from September 2023 through October 2024, the town had incurred nearly \$8,000 in late fees for these leases. The vehicles were assigned as follows:
  - Mayor (1)
  - Chief of Staff and Recreation Director (1)
  - Police (5)
  - Public Works/Street (5)
  - Fire (1)
  - Animal Control (1)
- 2. Vehicles Have Been Returned** Eight vehicles have been returned and there are two remaining vehicles that have not been picked up as Enterprise is marketing these vehicles for sale or lease to other customers. We have not yet received information from Enterprise to determine our equity in the returned vehicles; however, Enterprise had estimated that the town has approximately \$50,000 in equity on these vehicles. The 10 vehicles that were returned or scheduled to be returned were assigned as follows:
  - Mayor (1)
  - Chief of Staff & Recreation Director (1)
  - Police (4)
  - Public Works/Street (3)
  - Animal Control (1)
- 3. Monthly and Annual Savings** from returning these vehicles will be approximately \$9,400 per month and \$112,800 annually.

### Insurance

- 1. Property and Casualty Insurance** premiums increased from \$160,000 in 2023 to \$281,000 in 2024. We have not received the premium quote for 2025, and any premium increase/decrease will impact the adopted budget. Insurance payments have been financed through First Insurance Finance and after a down payment of \$43,440 in April 2024, 10 monthly payments of \$24,845 were due on the 7<sup>th</sup> of each month beginning April 7,

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2024. The town has also incurred \$7,481 in late and cancellation fees from April through October 2024.

- 2. General Liability and Auto Liability Insurance** changed in the 2024-2025 policy period from a deductible policy to a co-insurance policy. The town now has more financial exposure for liability claims and no reserve has been established for these purposes. The town is responsible for the first \$50,000 per accident for auto liability claims and \$25,000 per occurrence for general liability claims. I have not yet been able to establish a reserve account for liability insurance purposes and it will most likely be at least June 2025, before I can plan to set aside funds for this purpose.
- 3. Workers Compensation Insurance** premiums were \$82,308 annually beginning in January 2024. The 2025 premium decreased slightly to \$80,795 annually or \$8,079 payable over 10 months

### Garbage Services

- 1. Garbage Rates** I previously reported that there were inadequate charges to customers and/or inaccurate customer counts. At the time that I prepared my first quarterly report, I did not have all the sales tax information for the town, and I had assumed that the garbage tax allocation was correct. In this report, under the Sales Tax Allocation section on pages 1 through 4, I discuss the allocation of sales taxes based on the propositions approved by voters. There is no need for an additional garbage rate for residential garbage services and the \$8 per month garbage rate was rescinded by the Board of Selectmen. However, it may be necessary to revisit the rates for non-residential garbage services.
- 2. Difference in Customers Count** As previously reported there is a significant difference between Republic billings and town billings. Republic bills the town each month for 1,468 customers; however, the town only bills for 1,123 customers. Republic has agreed to perform a joint count of customers. This count was scheduled in January 2025; however, due to weather conditions, the count was not performed. We will reschedule a joint count of garbage customers. I have not yet reviewed the billing system for the accuracy of our billing count.

### Audits

- 1. Last Issued Audit** is for the fiscal year ended December 31, 2021.
- 2. Audit in Progress** for the fiscal year ended December 31, 2022, has been completed and submitted to the Louisiana Legislative Auditor. This audit was delayed because the town was not providing the requested information to the auditor.
- 3. Audits to Engage** We have engaged Carr, Riggs, and Ingram, CPAs to perform the fiscal year ended December 31, 2023, audit. We hope that this audit is completed within the next

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three months, and we plan to engage Carr, Riggs, and Ingram to perform the December 31, 2024 audit with an anticipated completion before the end of 2025.