

**Town of Homer
Summary of Issues**

As of October 31, 2024

Accounting Issues

The town has not properly accounted for transactions. Numerous problems existed when I came in as fiscal administrator on August 7, 2014. The town uses QuickBooks accounting software to account for activities and transactions. An external accountant was contracted by the town to prepare monthly bank reconciliations and provide monthly financial reports that included a comparison of budgeted to actual amounts.

1. **Accounts Payable** had not been entered into the accounting system since March 2024. Therefore, many expenses for the 2024 fiscal year (December 31 fiscal year) were not recorded in the accounting system. After the accounts payable were entered, QuickBooks showed nearly \$1,500,000 in accounts payable for all funds as follows.

Fund	Total Per QuickBooks	Accounts Payable Greater than 90 Days	Accounts Payable Less Than 90 Days
General Fund	\$415,837	\$64,777	\$351,060
Enterprise Fund	\$580,496	\$266,962	\$313,534
Street Fund	\$240,066	\$44,097	\$195,969
Recreation Fund	\$95,249	\$26,170	\$69,079
Police Fund	\$88,262	\$59,001	\$29,261
Fire Fund	\$6,862	\$3,413	\$3,449
Industrial Fund	\$58,058	\$22,762	\$35,296
Hotel Fund	\$7,432	\$6,296	\$1,136
Department of Motor Vehicles	\$3,277	\$1,650	\$1,627
Contingency Fund	\$886		\$886
TOTAL	\$1,496,425	\$495,128	\$1,001,297

While I know that these amounts are inaccurate because of incorrect posting, improper clearing of payables, multiple entries of the same invoices, etc., I am not yet able to determine the correct amounts that are owed today. The town is still receiving invoices from vendors that indicate past due balances, some from 2023, that were not recorded in the accounting system. While we have made some progress in reviewing these transactions, it will take at least one more month to determine what is owed and to clear up the accounts payable in the accounting system that have been recorded.

As of October 25, 2024, the following are the known significant payables to vendors.

Balar Engineers	\$114,969.20
Entergy	\$70,381.99
Enterprise Fleet Management	\$55,784.72
Huntington Bank	\$36,461.19

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Republic Services	\$32,842.56
Jackson Parish Sheriff	\$22,814.64
Ronald Lattier, Attorney	\$20,860.00
Tech Serve	\$19,969.20
Live View Technologies	\$19,926.48
American Wastewater	\$15,202.96
First Net	\$11,977.16
VISA	\$10,164.50
DEQ	\$6,134.30
Royal Consulting & Marketing	\$4,575.00
AT&T	\$3,995.99
Vermeer	\$2,967.31
Office Depot	\$2,716.27
TOTAL	\$451,743.47

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** were not prepared on any of the towns bank accounts for all of 2024 and 5 to 6 months of 2023. Even though the town had contracted with an external accountant to prepare reconciliations and prepare monthly financial statements, the bank reconciliations were not prepared. Monthly reconciliations are necessary to ensure that transactions clearing the bank accounts are properly recorded in the accounting system. Bank reconciliations have been prepared and we now know that numerous transactions were not recorded.

The following transactions were not recorded in the general fund in 2024.

Date	Transaction General Fund	Description	Withdrawl/Deposit
1/25/2024	4,142.65	ENT Services ACH Payment	Deposit
1/30/2024	3,291.25	ENT Services ACH Payment	Deposit
1/9/2024	827.98	NEC Cloud	Withdrawl
1/11/2024	165.68	AT&T	Withdrawl
1/11/2024	484.97	AT&T	Withdrawl
1/11/2024	738.75	AT&T	Withdrawl
1/25/2024	38,549.14	Transfer to Payroll	Withdrawl

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1/31/2024	600.00	Transfer to DMV	Withdrawl
2/21/2024	5,362.65	ENT Services ACH Payment	Deposit
2/1/2024	35,000.00	Transfer to Enterprise	Withdrawl
2/1/2018	18.00	Chargeback	Withdrawl
2/1/2024	8,230.80	LWCC	Withdrawl
2/5/2024	14,247.61	First Insurance	Withdrawl
2/5/2024	636.00	Office Depot	Withdrawl
2/8/2024	10,000.00	Transfer to Enterprise	Withdrawl
2/8/2024	39,000.00	Transfer to Payroll	Withdrawl
2/8/2024	827.90	NEC Cloud	Withdrawl
2/20/2024	8,313.11	LWCC	Withdrawl
2/22/2024	8,300.00	Transfer to Payroll for MPERS	Withdrawl
2/22/2024	10,000.00	Transfer to Payroll for MPERS	Withdrawl
2/26/2024	1,000.00	Transfer to DMV	Withdrawl
3/20/2024	16,937.23	ENT Services ACH Payment	Deposit
3/22/2024	4,766.10	ENT Services ACH Payment	Deposit
3/4/2024	3,000.00	Transfer to DMV	Withdrawl
3/4/2024	4,000.00	Transfer to Hotel	Withdrawl
3/4/2024	7,000.00	Transfer to Industrial	Withdrawl
3/7/2024	38,000.00	Transfer to Payroll	Withdrawl
3/8/2024	828.35	NEC Cloud	Withdrawl
3/25/2024	2,283.54	Ameritas Life	Withdrawl
3/25/2024	8,313.11	LWCC	Withdrawl
3/28/2024	297.50	Western Surety	Withdrawl

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4/16/2024	3,440.27	Transfer from Recreation	Deposit
4/25/2024	3,726.13	ENT Services ACH Payment	Deposit
4/8/2024	20,000.00	Transfer to Payroll for MPERS	Withdrawal
4/8/2024	827.66	NEC Cloud	Withdrawal
4/9/2024	15,000.00	Transfer to Enterprise-DEQ Bond	Withdrawal
4/11/2024	12,496.39	Transfer to Payroll MPERS	Withdrawal
4/23/2024	144.99	AT&T	Withdrawal
4/30/2024	7,972.84	Transfer to Payroll MPERS	Withdrawal
4/30/2024	19,190.01	Transfer to Payroll- LDR WH	Withdrawal
4/30/2024	536.67	Pitney Bowes	Withdrawal
4/30/2024	536.67	Pitney Bowes	Withdrawal
5/29/2024	3,468.51	Ent Services ACH Payment	Deposit
5/1/2024	26,151.26	First Insurance	Withdrawal
5/8/2024	346.80	Pitney Bowes	Withdrawal
5/9/2024	827.71	NEC Cloud	Withdrawal
5/15/2024	109.99	AT&T	Withdrawal
5/16/2024	5,517.00	Claiborne Electric	Withdrawal
5/17/2024	9,000.00	Transfer to Enterprise	Withdrawal
5/17/2024	16,543.91	LWCC	Withdrawal
5/30/2024	2,195.12	Lease Services	Withdrawal
6/24/2024	3,648.97	Ent Services ACH Payment	Deposit
6/4/2024	26,127.33	First Insurance	Withdrawal
6/7/2024	782.21	NEC Cloud	Withdrawal
6/12/2024	109.99	AT&T	Withdrawal

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6/13/2024	20.00	Bank- Night Drop Annual Fee	Withdrawl
6/17/2024	8,396.24	LWCC	Withdrawl
6/18/2024	5,000.00	Transfer to Industrial-Main Street	Withdrawl
6/24/2024	1,522.36	Ameritas Life	Withdrawl
6/24/2024	1,500.00	Transfer to Payroll MPERS	Withdrawl
6/24/2024	6,700.00	Transfer to Street- Enterprise Fleet	Withdrawl
6/28/2024	11,000.00	Transfer to Police- Enterprise Fleet	Withdrawl
7/24/2024	4,926.36	Ent Services ACH Payment	Deposit
7/1/2024	300.00	Transfer to Industrial-Allen Enterprises	Withdrawl
7/1/2024	26,102.33	First Insurance	Withdrawl
7/9/2024	782.45	NEC Cloud	Withdrawl
7/12/2024	144.99	AT&T	Withdrawl
7/24/2024	8,313.11	LWCC	Withdrawl
8/28/2024	6,139.58	Ent Services ACH Payment	Deposit

The following transactions were not recorded in the enterprise fund in 2023 and 2024.

Date	Transaction	Description	Withdrawl/Depos
Enterprise Account			
9/25/2023	17,454.82	LWCC	Withdrawl
10/30/2023	31,704.52		Deposit
10/3/2023	119.05	Chargeback	Withdrawl
10/4/2023	50.86	Chargeback	Withdrawl
10/25/2023	95.73	Chargeback	Withdrawl
10/31/2023	14,221.61	First Insurance	Withdrawl
11/6/2023	841.58		Deposit

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11/21/2023	45.75	Chargeback	Withdrawal
11/21/2023	52.78	Chargeback	Withdrawal
11/24/2023	8,727.41	LWCC	Withdrawal
12/11/2023	13,546.06	First Insurance	Withdrawal
1/2/2024	14,924.16	First Insurance	Withdrawal
2/1/2024	35,000.00	Transfer from General	Deposit
2/8/2024	10,000.00	Transfer from General	Deposit
2/2/2023	133,862.50	Transfer to General	Withdrawal
2/7/2024	41.60	Chargeback	Withdrawal
2/15/2024	662.66	AT&T	Withdrawal
2/23/2024	24,963.46	Transfer to Police	Withdrawal
February has a \$7,642.83 Payroll Variance			
3/8/2024	95.07	Chargeback	Withdrawal
3/20/2024	45.20	Chargeback	Withdrawal
3/20/2024	80.32	Chargeback	Withdrawal
3/21/2024	136.51	Chargeback	Withdrawal
3/21/2024	6,703.92	US Water Systems	Withdrawal
March has a \$7658.45 Payroll Variance			
4/9/2024	92,000.00	transfer from Police- DEQ Bond	Deposit
4/9/2024	15,000.00	Transfer from General Fund- DEQ Bond	Deposit
4/9/2025	10,000.00	Transfer from Contingency- DEQ	Deposit
4/3/2024	6,076.63	ACI Payment	Withdrawal
4/11/2024	6,616.98	MERSLA	Withdrawal
4/15/2024	10,828.85	US Water Systems	Withdrawal
5/17/2024	22,285.37	Transfer from Police	Deposit

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5/17/2024	9,000.00	Transfer from General	Deposit
5/17/2024	5,000.00	Transfer from Contingency	Deposit
5/17/2024	5,000.00	Transfer from Street	Deposit
5/20/2024	13,107.47	US Water Systems	Withdrawal
5/28/2024	5,646.00	Transfer to 2018 USDA Sinking Bond	Withdrawal
5/30/2024	49.96	Chargeback	withdrawal
5/30/2024	131.16	Chargeback	Withdrawal
6/21/2024	13,370.92	US Water Systems	Withdrawal
6/24/2024	5,646.00	Transfer to 2018 USDA Sinking Bond	Withdrawal
7/11/2024	9,995.74	Transfer to Street	Withdrawal
7/11/2024	12,672.40	Transfer to Police	Withdrawal
7/17/2024	1,500.00	Chargeback	Withdrawal
7/22/2024	13,524.94	US Water Systems	Withdrawal
7/25/2024	10,555.90	Transfer to Street for Payroll	Withdrawal
7/25/2024	12,072.77	Transfer to Police for Payroll	Withdrawal
7/25/2024	12,916.42	Transfer to General Fund for Payroll	Withdrawal
7/26/2024	5,646.00	Transfer to 2018 USDA Sinking Bond	Withdrawal
7/26/2024	93.38	Chargeback	Withdrawal
7/30/2024	26,102.33	First Insurance	Withdrawal
July has a \$122.36 payroll variance			
8/1/2024	238.36	Liberty National	Withdrawal
8/20/2024	13,643.30	US Water Systems	Withdrawal
8/21/2024	76.21	Chargeback	Withdrawal

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The following transactions were not recorded in the other funds in 2023 and 2024.

Date	Transaction	Description	Withdrawal/Deposit
Street Fund			
4/3/2024	692.12	ACI Payment	Withdrawal
4/11/2024	4,550.12	MERSLA	Withdrawal
5/17/2024	5,000.00	Transfer to AP Account	Withdrawal
6/24/2024	6,700.00	Transfer from General Fund	Deposit
7/18/2024	4,100.00	Transfer from Contingency Fund	Deposit
7/19/2024	400.00	Transfer from Contingency Fund	Deposit
8/8/2024	11,503.00	8/8/24 PR Transfer to Payroll	Withdrawal
DMV			
11/21/2023	800.00	Transfer from General Fund	Deposit
11/29/2023	419.45	ACI Payment	Withdrawal
1/31/2024	600.00	Transfer from General Fund	Deposit
2/26/2024	1,000.00	Transfer from General Fund	Deposit
2/27/2024	932.82	Aci Payment	Withdrawal
3/4/2024	3,000.00	Transfer from General Fund	Deposit
4/3/2024	826.32	ACI Payment	Withdrawal
Fire			
7/26/2024	226.64	AT&T Payment	Withdrawal
8/8/2024	1,427.44	8/8/24 PR Transfer to Payroll	Withdrawal
8/22/2024	1,497.40	8/22/24 PR Transfer to Payroll	Withdrawal
Recreation			
4/8/2024	10,066.87	4/18/24 PR Transfer to Payroll	Withdrawal

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	8/8/2024	2,531.92	8/8/24 PR Transfer to Payroll	Withdrawal
	8/22/2024	2,673.99	8/22/24 PR Transfer to Payroll	Withdrawal
Meter Deposit				Withdrawal/Deposit
	5/28/2024	50.00		Deposit
Date	Transaction		Description	
Street Fund				Withdrawal/Deposit
	4/3/2024	692.12	ACI Payment	Withdrawal
	4/11/2024	4,550.12	MERSLA	Withdrawal
	5/17/2024	5,000.00	Transfer to AP Account	Withdrawal
	6/24/2024	6,700.00	Transfer from General Fund	Deposit
	7/18/2024	4,100.00	Transfer from Contingency Fund	Deposit
	7/19/2024	400.00	Transfer from Contingency Fund	Deposit
	8/8/2024	11,503.00	8/8/24 PR Transfer to Payroll	Withdrawal
DMV				Withdrawal/Deposit
	11/21/2023	800.00	Transfer from General Fund	Deposit
	11/29/2023	419.45	ACI Payment	Withdrawal
	1/31/2024	600.00	Transfer from General Fund	Deposit
	2/26/2024	1,000.00	Transfer from General Fund	Deposit
	2/27/2024	932.82	Aci Payment	Withdrawal
	3/4/2024	3,000.00	Transfer from General Fund	Deposit
	4/3/2024	826.32	ACI Payment	Withdrawal
Fire				Withdrawal/Deposit
	7/26/2024	226.64	AT&T Payment	Withdrawal
	8/8/2024	1,427.44	8/8/24 PR Transfer to Payroll	Withdrawal
	8/22/2024	1,497.40	8/22/24 PR Transfer to Payroll	Withdrawal

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Recreation		Withdrawal/Deposit
4/8/2024	10,066.87	4/18/24 PR Transfer to Payroll Withdrawal
8/8/2024	2,531.92	8/8/24 PR Transfer to Payroll Withdrawal
8/22/2024	2,673.99	8/22/24 PR Transfer to Payroll Withdrawal
Meter Deposit		Withdrawal/Deposit
5/28/2024	50.00	Deposit

These transactions have not yet been entered into the accounting system; however, all entries should be completed by the end of October or early November 2024. 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 inaccurate and unreliable. The monthly profit and loss statements were prepared by the contract accountant each month and submitted to the mayor and board of selectmen. These financial statements included a comparison of budget to actual. As disclosed in the prior 2 items, the financial information was inaccurate and unreliable. No one could rely on the amount that was shown as incurred or budgeted funds needed or available in any account. The Board of Selectmen could not have known that the statements were inaccurate and unreliable. Also, it is obvious that the monthly budget comparison was not used to manage the financial activities of the town. The mayor and treasurer are responsible for reviewing monthly bank reconciliations that were to be prepared by the external accountant to provide an adequate level of internal control. The mayor should review to ensure that there are no unusual or fraudulent transactions.

Management of a local auditee is responsible for –

- Its financial statements
- Internal control over the preparation of its financial statements
- Detection of fraud and errors

4. **Records** such as invoices, deposit receipts, contracts, bond documents, etc. are not always readily available or easily located. We have 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.
5. **Expenses** are often paid by and recorded to the wrong fund and expenses that are paid by one fund for multiple funds such as insurance, workers compensation, auto leases, utilities, health insurance and payroll are not consistently or are not allocated to the

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appropriate fund for which the expense was incurred. This also causes each funds' financial statements to be inaccurate. Transfers from one fund to another are often not recorded in the accounting records. On occasion, expense payments are duplicated in two or more funds.

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.
2. **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. While I cannot rely on all the information from the accounting system, there are several categories of expenses that are reasonably accurate that are well over budget as of September 30, 2024. There are still 3 months remaining in the fiscal year.
3. **Budget Amendment for 2024 and Budget for 2025** cannot be prepared as of October 31, 2024, until the inaccuracies in the accounting records can be corrected to know what we have collected and spent for 2024 and to make projections for 2025. I am also waiting to determine the outcome of my request to Capital One, Louisiana Department of Health, and Louisiana Department of Environmental Quality to restructure the bond payments. Therefore, I do not have a timeframe for amending the 2024 budget and an amended budget may not be meaningful prior to the end of this fiscal year. My preliminary estimates indicate that, as of September 30, 2024, expenses in the general fund, police fund, street fund, and recreation fund have already exceeded budgeted amounts. I am planning to prepare the 2025 budget to present to the Board of Selectmen in early December and I hope to be able to present an accurate budget to actual comparison for 2024 at the same time.

Payroll and Payroll Taxes

1. **Payroll Forms 941 and L1** were not filed with the Internal Revenue Service or the Louisiana Department of Revenue for the 3rd and 4th quarters 2023 and the 1st and 2nd quarters of 2024. Payroll taxes were not remitted to the IRS or the Louisiana Department of Revenue for these quarters and most of the 3rd quarter of 2024. All forms have now been filed; however, the tax liability has not been paid.

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2. **Payroll Tax Liability**, based on payroll entries to the accounting system, for unpaid payroll taxes is as follows. These amounts do not include any penalties and interest that will be assessed to the town.

Town of Homer Payroll Liabilities for 2023 and 2024			
Description	2023	2024	Total
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	\$19,302	\$22,148	\$41,450
TOTAL	\$117,892	\$146,350	\$264,242

Bond Payments and Reserves

1. **Louisiana Department of Health (LDH) Utility Revenue Bond Series 2015 bond payments** are delinquent. The town did not pay the principal, interest, and administrative fees on their bonds totaling approximately \$135,000 at the December 31, 2023, due date and this remains unpaid. The town also did not pay the June 1, 2024, interest and administrative fees payment totaling approximately \$29,000 for this debt and this obligation remains unpaid. Approximately \$136,000 is due December 1, 2024.
2. **Louisiana Department of Environmental Quality (DEQ) Clean Water State Revolving Loan Fund Taxable Revenue Bonds, Series 2013** 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 have not been paid. Approximately \$147,000 is due December 1, 2024.
3. **Capital One Series 2013 Bonds** principal and interest totaling approximately \$156,000 were not paid when due on December 1, 2023, however, payments were made. Approximately \$159,000 is due December 1, 2024.
4. **USDA Rural Development Loan** is current as monthly draws of \$6,830 are made by USDA to repay the loan.
5. **Reserve Requirements** for all four debt instruments are not being met and it appears that the town has not made any effort to budget or fund these reserves over the past 4 or 5 years. The budget for 2025 will include reserve funding.

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6. **Water and Sewer System Revenue** has not been sufficient to pay the operating expenses of the systems and the bond and loan debts. New rates have been approved by the Board of Selectmen and will be implemented beginning with the November 1, 2024, billing. (See Section below on water and sewer systems)

7. **Restructuring Debt** conversations are underway with the Louisiana Department of Health, Louisiana Department of Environmental Quality, and Capital One. It is my hope that the 2023 and 2024 payment requirements can be included in future years payments. Conversations have been positive, and the preliminary outlook is that principal may be pushed into future years; however, the town will be required to deposit payments each month into a bank account for this purpose. If the debt cannot be restructured, the following will be due on December 1, 2024, and the town will not have funds to pay this.

Bond Debt Payments Due December 1, 2024					
Bond	Current Principal Due	Delinquent Principal Due	Current Interest & Admin Fees Due	Delinquent Interest & Admin Fees Due	Total Due
LDH	\$106,000	\$106,000	\$30,000	\$60,000	\$302,000
DEQ	\$140,000	\$0	\$7,000	\$14,000	\$161,000
Capital One	<u>\$115,000</u>		<u>\$21,775</u>		<u>\$136,775</u>
TOTAL	<u>\$361,000</u>	<u>\$106,000</u>	<u>\$58,775</u>	<u>\$67,000</u>	<u>\$599,775</u>

Water and Sewer Systems

1. **Water and Sewer System Revenue** has not been sufficient to pay operating expenses and the bonds that are secured by water and sewer systems revenues. 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 are 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.

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WATER RATES				
Class	Current Rate		New Rate Effective November 1	
	Base	Add per 1,000 gallons Used	Base	Add per 1,000 gallons Used
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
SEWER RATES				
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

- 2. Improper Rate Implemented** on May 1, 2024. Mayor Xanthe Seals implemented a rate increase for water and sewer rates without approval from the Board of Selectmen and without having a public hearing for the rate increase. According to Mayor Seals, the town has implemented rate increases in the past by adding an inflationary factor; however, the mayor was unable to provide an ordinance or minutes of board meetings to indicate that such an increase was authorized. Former town attorney, Loi Graham, informed me that she advised the mayor that this increase was improper; however, the increase was implemented and charged to customers until I rescinded the increase in September 2024. The rate increased water charges by \$2.00 per 1,000 gallons of water used and sewer charges by \$1.00 per 1,000 gallons of water used.
- 3. Billings for Water and Sewer Services** are 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 have not yet been able to determine the cause of these discrepancies.
- 4. Accounts Receivable** totaled over \$700,000 on September 5, 2024; however, nearly \$400,000 of this is from closed accounts. I have not been able to spend the time determining the collectability of the closed past due amounts. In September, 117 customers were disconnected from the water service, and 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. Because of the financial condition of the town, I terminated 8 employees resulting in monthly savings of approximately \$22,000. Also, three police officer positions resigned, and we have not replaced these officers;

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however, there are now only 3 police officers and the police chief. Savings from the three officers who resigned are approximately \$8,000 per month.

- 2. Additional Personnel Cuts** may be necessary; however, because I do not have a clear understanding of the expenses of the town, I am not making any more cuts until I can determine the needs of the town.

Leased Automobiles

- 1. Equity Lease Agreement** with Enterprise Fleet Management was signed by Mayor Xanthe Seals on May 10, 2021. The town has leased 14 vehicles from Enterprise at a monthly cost of approximately \$13,000. Additionally, since September 2023, the town has 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 To Be Returned** have been identified and Enterprise is marketing these vehicles for sale or lease to other customers. We have requested 10 of these vehicles to be returned and Enterprise estimates that the town has approximately \$50,000 in equity on these vehicles. The equity will be applied to the outstanding balance of approximately \$50,000 that is currently owed to Enterprise. The 10 vehicles to be returned are 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. Insurance payments are financed through First Insurance Finance and after a down payment of \$43,440, 10 monthly payments of \$24,845 are due on the 7th of each month beginning April 7, 2024. The finance charge for these payments will be \$11,200 with an annual percentage rate of 10.150%. Financing the insurance premiums is costly to the town; however, I do not see that there was or will be any other option. The town has also incurred \$7,481 in late and cancellation fees since April 2024.

Town of Homer Summary of Issues

- 2. General Liability and Auto Liability Insurance** changed in the current 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
- 3. Workers Compensation Insurance** premiums are \$8,230 per month beginning in December 2023 and ending in September 2024. The town also incurred late charges for payments; however, I do not have these calculations at this time.

Garbage Services

- 1. Garbage Rates Not Covering Cost of Services** due to inadequate charges to customers and/or inaccurate customer counts. Republic Services handles garbage services for the town at a monthly fee of \$32,842. The town has a dedicated sales tax revenue for garbage services that generates approximately \$21,000 per month. The town also charges an \$8.00 per month fee to customers for garbage services. In October 2024, there were 1,123 customers billed for garbage which should generate \$8,900. The sales tax and garbage fees combined generated only \$29,900. The garbage service billings from Republic Services exceed the revenue for these services by approximately \$2,900 per month.
- 2. Difference in Customers Count** between Republic billings and town billings is 345 customers. Republic bills the town each month for 1,468 customers; however, as previously mentioned, the town only bills for 1,123 customers. Republic has agreed to perform a joint count of customers. I have not yet reviewed the billing system for the accuracy of our billing count.
- 3. Garbage Rate Increase** may be necessary depending on the results of a customer count and the review of the town's billing system.

Audits

- 1. Last Completed Audit** is for the fiscal year ended December 31, 2021.
- 2. Audit in Progress** for the fiscal year ended December 31, 2022. This audit has been delayed because the town was not providing the requested information to the auditor. I believe that the majority of information has now been provided and the 2022 audit should be completed soon.
- 3. Audits to Engage** for the fiscal years ended December 31, 2023, and the fiscal year ending December 31, 2024. The current audit firm, Carr, Riggs, and Ingram, have tentatively agreed to perform the 2023 and 2024 audits. We hope to engage this firm for these audits as soon as the 2022 audit is completed.