

Town of Homer Summary of Issues

As of August 25, 2026

New Issues Since Last Quarterly Report

Contract with Sustainability Partners, LLC for Water Meter Services

The Louisiana Attorney General notified the town by letter dated August 4, 2026, that the Town of Homer may not legally make payments to Sustainability Partners, LLC, pursuant to the existing contract and should cease any further payments immediately as the use of public funds under these circumstances is unconstitutional. On August 10, 2026, we notified our bank to cancel the automatic monthly draft for payment to Sustainability Partners, LLC. We also sent a copy of the letter to Sustainability Partners.

In 2022, the Town of Homer entered into a cooperative endeavor agreement with Sustainability Partners, LLC. The cooperative endeavor agreement provided that the town engaged Sustainability Partners as an independent contractor to provide water meters and related services for the town. The letter from the Attorney General states that it is the opinion of the Attorney General that the contract violates Louisiana law because the contract did not receive State Bond Commission approval, the work performed likely did not comply with the public bid laws of the state, and the contract creates long-term debt obligations that not only reach far into the future but exceed any reasonable market value for the equipment and/or services.

Homer is not the only municipality in Louisiana to receive a similar letter from the Attorney General. In accordance with a request in the letter to schedule a meeting to discuss ancillary matters, I requested a meeting. A meeting has been scheduled for November 2, 2026. We have not received any response from Sustainability Partners and I am hopeful that there will soon be a resolution of these issues.

Update of Issues Reported on October 31, 2024, February 15, 2025, April 30, 2025, July 31, 2025, October 31, 2025, January 31, 2026, and May 20, 2026

Budget for 2026 Fiscal Year/ Estimate of Revenue and Expenses

In my prior quarterly reports, I included the budget summaries for the 2025 and 2026 fiscal years that were adopted by the Board of Selectmen. These budget summaries have not changed since my last quarterly update; however, budget amendments will most likely be necessary due to some increased revenue, expenses that were not anticipated when the budget was prepared, emergency improvements for water and sewer, and different amounts of payments to the IRS for prior years payroll taxes. I anticipate budget amendments at the November 2026 Board Meeting. The new issue mentioned above regarding Sustainability Partners may have a significant impact on both the current year and 2027 budgets.

Sales tax revenue represents a significant source of revenue for the general, police, fire, street, enterprise (garbage) and recreation funds. Actual sales tax collections for 2025 were 3.95 percent lower than the tax collections in 2024.

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The 2026 budget decreases the amount of sales taxes allocated to the general fund and increases the allocation to the police and fire funds. There is no longer a contingency fund, and the budget includes the Department of Motor Vehicles (DMV) fund for the first time. The projected budget deficit in the DMV fund will be covered through either increased payment amounts from the Louisiana Department of Motor Vehicles or the transfer of monies from another fund. The 2026 budget was prepared recognizing that sales tax revenues are decreasing. Total sales tax collections through the first 7 months of 2026 are 3.51 percent lower than the first 7 months of 2025.

Town of Homer Budget Summary (Original December 2025) 2026							
				EXCESS OF REVENUE OVER EXPENSES	OTHER FINANCING SOURCES	OTHER FINANCING USES	NET CHANGE FUND BALANCE
FUND		REVENUE	EXPENSES				
GENERAL FUND		\$ 916,447.00	\$ (798,100.00)	\$ 118,347.00	\$ -	\$ (118,000.00)	\$ 347.00
POLICE FUND		\$ 552,950.00	\$ (542,920.00)	\$ 10,030.00	\$ -	\$ (10,000.00)	\$ 30.00
FIRE FUND		\$ 146,450.00	\$ (144,770.00)	\$ 1,680.00	\$ -	\$ -	\$ 1,680.00
STREET FUND		\$ 298,110.00	\$ (315,580.00)	\$ (17,470.00)	\$ 60,000.00	\$ (20,000.00)	\$ 22,530.00
RECREATION FUND		\$ 159,870.00	\$ (139,150.00)	\$ 20,720.00	\$ -	\$ (13,400.00)	\$ 7,320.00
HOTEL/TOURISM FUND		\$ 18,812.00	\$ (53,055.00)	\$ (34,243.00)	\$ 36,000.00	\$ -	\$ 1,757.00
INDUSTRIAL FUND		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CONTINGENCY FUND		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DMV		\$ 20,022.00	\$ (22,580.00)	\$ (2,558.00)			\$ (2,558.00)
ENTERPRISE FUND		\$ 2,745,562.00	\$ (2,639,584.00)	\$ 105,978.00	\$ -	\$ (60,000.00)	\$ 45,978.00
TOTAL ALL		\$ 4,858,223.00	\$ (4,655,739.00)	\$ 202,484.00	\$ 96,000.00	\$ (221,400.00)	\$ 77,084.00

The initial 2026 budget was prepared after a complete year of reliable financial information. The budget includes \$675,000 in the enterprise fund for bond principal, interest, and reserves. The 2026 budget also includes \$32,000 in the general fund to make payments on the fiscal administrator loan. Most obligations from prior years, other than the Internal Revenue Service for unpaid payroll taxes, interest, and penalties were paid in 2025. The remaining unpaid prior year liabilities, other than the IRS, were paid in 2026.

Water System Issues

In my previous quarterly reports, I disclosed that the Homer Water System received an F grade for water system accountability in 2024. The grade for 2025 is a D. Many of the deficiencies from 2024 have been corrected and the Louisiana Department of Health (LDH) conducted a sanitary survey for the town in May 2026. Two of the deficiencies that were categorized as significant from the 2024 sanitary survey are also included in the 2026 sanitary survey report. These will take more time and financial resources to complete; however as mentioned below, the town has authorized a contractor to install transfer switches at two of the town's water wells to supply portable back-up power. The contractor has ordered the switches but there is a delay in receiving these. Hopefully, the switches will be installed within the next 60 days.

Also, the town's water storage tank needs to be inspected, cleaned, and repairs made if necessary. We have repaired one of the town's main water wells that was not working and we have three functioning water wells. Funds generated from the water rate increase that was implemented in 2024 is being used to make the necessary repairs and improvements that are necessary; however,

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all repairs and improvements cannot be accomplished at one time. We will have to prioritize projects and pay the necessary expenses within the funds that are available. The remaining priority currently is the standby dedicated power for the water wells.

We addressed the deficiencies noted by LDH in their 2024 sanitary survey and submitted the town's corrective actions prior to December 31, 2025. We also submitted the information necessary for the 2025 water grade prior to January 31, 2026, the deadline for reporting. Additionally, town officials attended a management training program by the Louisiana Rural Water Association which provided bonus points toward the water grade. Despite our efforts, the town was unable to improve the grade above a D. Two issues impacting the water grade are that the town automatically gets a 10 point deduction for having a fiscal administrator appointed and a 10 point deduction for infrastructure deficiencies that relate primarily to the lack of back-up power for the water wells (mentioned in the previous paragraph). When the fiscal administrator has completed his work and the town corrects the current back-up power deficiency, the grade would be B unless additional deficiencies are found that cannot be corrected with available resources. We are currently addressing all of the 2026 sanitary survey issues and will prepare a response to LDH in September 2026.

Sewer System Issues

The sewer treatment plant has not been properly maintained for several years. In my last two quarterly reports, I mentioned the main lift station at the sewer plant went down and emergency repairs were performed to replace/repair critical operational components of the sewer treatment plant. The replacement/repairs include electronic controls, use of a rental diesel bypass pump, SCADA System, clean out of main wet well/transfer station, cleanup of drainage ditch, replace filters on blowers, service both air actuator valves, install small sump pumps, replace lighting of the pump building, repair 10" pumps, and repair or replace 6" pumps. There was also a significant amount of raw sewage that was discharged from the plant into a ditch. This had to be cleaned, and a great deal of time and money was spent on correcting the issues to keep the sewer plant operating and to perform the clean-up. Through the first 7 months of 2026, the town has spent over \$422,000 for sewer system repairs, maintenance and emergency clean-up. The amount spent thus far represents approximately 94 percent of the total sewer system maintenance budget. The sewer rate increase that was implemented in 2024 has allowed the town to have funds available to perform the necessary work. At this point, we hope that no additional problems come up until we can obtain additional funding for a comprehensive update of the town's sewer system.

We have discussed improvement needs with engineers, and a capital outlay request was submitted for the 2026-2027 state fiscal year. The request totaled \$1,164,000 for the wastewater treatment plant. The requested funding would allow the town to make the following repairs.

1. Replace plug valves on SBR effluent piping.
2. Replace influent pump station motor.
3. Repair electrical conduits and conductors at influent pump station.
4. Replace motor control center (MCC) in administration building.
5. Install alarm/SCADA system in influent pumping wet well.
6. Replace variable frequency drive (VFD) on aeration blower # 1.
7. Replace dissolved oxygen meters on SBR treatment basins.

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8. Clean and repair concrete basins at plant headworks and disinfection basin
9. Repair mechanical screen at plant influent.
10. Repair plant piping to address backup of wastewater throughout the plant site.
11. Replace flow meters on plant effluent piping.
12. Replace security gates on entrance drive.
13. Replace HVAC equipment in administration building.
14. Repair plumbing in administration building restroom.

This capital outlay request is critical to provide the funding needed to make the necessary repairs and improvements to the sewer treatment plant. House Bill 2 (Capital Outlay) of the 2026 Regular Legislative Session includes \$875,000 for wastewater treatment plant upgrades (\$775,000 in Priority 5 and \$100,000 from the Capital Outlay Savings Fund). Town officials must work with engineers to design the project within the available funding.

The Town of Homer also did not submit the Louisiana Pollutant Discharge permit (5-year permit) that was due on May 4, 2025, even though a notification was sent to Mayor Seals on November 14, 2024. The sewer system operator informed me that the permit renewal was submitted prior to October 31, 2025 (6 months late); however, we later determined that the permit had not been submitted and was finally submitted in January 2026. Correspondence from the Louisiana Department of Environmental Quality dated August 20, 2026, states that the application did not meet testing requirements and a discharge was not reported in the application. The town's sewer system operator is addressing these issues.

Customer Meter Deposits

As discussed in prior quarterly updates, the town collected deposits from customers to provide water services to the customers. The utility billing system (UBS) showed that approximately \$140,000 should be available in the customer meter deposit bank account; however, it should be noted that the meter deposit account balances have not been reconciled to the active customer accounts for many years. This is a task we have not undertaken as other priorities have driven our work efforts. As of December 31, 2025, there was only \$48,988.28 available in the bank account. Bank records show that \$48,665.21 was used in December 2021 as a transfer to the payroll bank account and \$33,204.37 was used in June 2022 as a transfer to the payroll bank account. There were no previous attempts to refund the amounts that were used to cover payroll expenses. In March 2026, we returned the \$81,869 that was used for payroll to the meter deposit account from the enterprise fund.

The customer meter deposits represent funds to be held by the town to cover customer bills if a customer's service is terminated or to be refunded to the customer should their service be terminated and no balance is owed. These funds belong to the customers, and the town should not have used these funds, totaling nearly \$82,000 to cover payroll expenses. The repayment transfer from the enterprise fund uses funds that could have been used for water system improvements.

Fines and Court Costs

As discussed in my last three quarterly updates, The Homer Police Department was not charging the appropriate amount of court costs for ticketed violations in the Town of Homer. Also, the town

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had not been remitting the collected court costs to the appropriate entities since 2020. The police department was including court costs of \$45 per ticket for most offenses. However, and depending on the violation, court costs that should have been charged range from \$55 to \$110 per ticketed violation. As an example, court costs for speeding or reckless operation should be \$85.

The amount of fine and court cost have been changed to an appropriate amount in the fine and cost documents of the police department. A tracking system is in place and current court cost collections are being remitted to the appropriate entities. In consultation with the town's legal counsel and mayor's court magistrate, we will determine how to proceed with any payments that should have been made from 2021 through July 2025.

Sales Tax Allocation

As noted in my prior quarterly reports, the town had not properly allocated sales tax revenue to the appropriate fund for the past several years. We changed the allocation, and the board adopted the allocation for the 2025 fiscal year in February 2025 and again in April 2025 with some modifications. The allocation for 2026 was submitted to and approved by the Board of Selectmen at their December 2025 regular meeting

The original propositions approved by the voters for each of these taxes have specific language as to the use of the taxes and I have reviewed this language to ensure that we are using the tax funds as authorized. Even though I am comfortable with our current allocation, the Board of Selectmen adopted resolutions on September 8, 2025, to seek voter approval to change the authorized uses of sales tax revenue for the general, rededicated, and garbage sales taxes. Three propositions were on the election ballot on May 16, 2026, to rededicate the sales tax proceeds; however, all three propositions failed. The Town of Homer has changed since the original propositions were approved and it would still be beneficial to change the dedication of funds. Town officials will need to continue to allocate funds based on the current sales tax propositions and continue to seek to rededicate these funds. Following is the 2026 allocation of sales tax revenue as approved by the Board of Selectmen. However, as previously mentioned sales tax collections continue to fall below the 2025 level of collection. The projected collections were \$1,944,000 when the allocation was prepared in December 2025 and projected actual collection at this time are \$1,901,000.

2026 Sales Tax Allocation				
Total 2026 Projected Sales Tax Collections = \$1,944,000				
Fund	Sales Tax Type	2026	2025	Difference
General Fund	General	\$ 50,000	\$ 84,000	\$ (34,000)
	Rededicated	\$ 313,000	\$ 420,000	\$ (107,000)
	Garbage	\$ 50,000	\$ 84,000	\$ (34,000)
	TOTAL	\$ 413,000	\$ 588,000	\$ (175,000)
Street	General	\$ 315,600	\$ 288,000	\$ 27,600
	TOTAL	\$ 315,600	\$ 288,000	\$ 27,600
Police	General	\$ 105,200	\$ 96,000	\$ 9,200
	Rededicated	\$ 210,400	\$ 144,000	\$ 66,400
	Garbage	\$ 21,200	\$ 24,005	\$ (2,805)

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	Special	\$ 144,000	\$ 141,000	\$ 3,000
	TOTAL	\$ 480,800	\$ 405,005	\$ 75,795
Recreation	General	\$ 52,600	\$ 48,000	\$ 4,600
	Garbage	\$ 35,000	\$ 23,998	\$ 11,002
	Special	\$ 72,000	\$ 70,600	\$ 1,400
	TOTAL	\$ 159,600	\$ 142,598	\$ 17,002
Fire	General	\$ 52,600	\$ 48,000	\$ 4,600
	Rededicated	\$ 52,600	\$ 0	\$ 52,600
	Garbage	\$ 14,800	\$ 0	\$ 14,800
	TOTAL	\$ 120,000	\$ 48,000	\$ 72,000
Enterprise	Garbage	\$ 455,000	\$ 431,998	\$ 23,002
	TOTAL	\$ 455,000	\$ 431,998	\$ 23,002
	TOTAL ALL	\$ 1,944,000	\$ 1,903,600	\$ 40,400

Public Safety and Law Enforcement

As discussed in prior quarterly reports, the Town of Homer Police Department has limited resources to provide law enforcement activities in the town. The 2025 fiscal year budget amendments in November 2025 include \$435,447 of revenue for police activities. The 2026 proposed budget includes \$552,950 of revenue. This \$117,503 increase comes from reallocating sales tax revenue, increased fines and court costs, and increased police supplemental pay that will be received for added officers. We should be able to hire two additional officers within this budget as expenses have been budgeted for this purpose. In January 2026, one additional officer was hired; however, this officer was subsequently arrested and is no longer employed by the police department. As of August 15, 2026, the Chief of Police has hired one additional officer and is seeking to hire another. Currently, there are four officers, including the elected Chief of Police, and two dispatchers employed by the Homer Police Department. Louisiana Revised Statute 33:423.28 also provides that the chief of police shall appoint, promote, discipline, and discharge personnel subject to the budgetary limitations established by the mayor and board of aldermen pertaining to the number of allotted positions for the police department. The 2026 budget includes \$552,220 in expenses and other financing uses. The 2025 budget included \$45,000 for past due obligations, and \$10,000 is budgeted in 2026 for past due obligations from prior years.

As mentioned in prior quarterly updates, I notified the mayor, board members, and chief of police of the projected shortfall in 2025 resulting from the originally adopted budget and informed them of my intent to seek an arrangement with the Claiborne Parish Sheriff to provide law enforcement services for the town. I met with the sheriff to discuss this alternative; however, any agreement must be funded within the revenue available. We have not been able to reach an agreement, and I made budget adjustments in 2025 to avoid a budget deficit. The Homer City Marshal, who serves as the Chief of Police, is an elected position and his salary and benefits cannot be reduced during his term of office.

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

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Fuel Theft

As previously reported, the town provides fuel cards for use by employees at Crump Oil Company in Homer for purchasing fuel for town vehicles. After reviewing the Crump Oil billings, we noted that there appeared to be some questionable usage of certain fuel cards. We contacted Crump Oil and asked to obtain the video files of fuel purchases for certain cards. An employee at Crump Oil was extremely helpful and provided JPEG images and/or video files of each of the card uses in personal vehicles from May 27, 2024 (video files were no longer available prior to this date) through February 5, 2025. These images reveal that, during this 8-month period, two former Town of Homer police officers incurred over \$7,000 in fuel purchases for personal vehicles using the cards.

Our external accountant reviewed all the files supplied by Crump Oil personnel and created a schedule of the improper fuel purchases. We then contacted the Claiborne Parish Sheriff to further investigate our findings which resulted in warrants being issued for the two former police officers on theft charges. Both individuals were arrested and one has made restitution to the town for the fuel that he took. It is also my understanding that the other individual has made restitution, but the town has not yet received the funds.

After discovering the theft of fuel, we immediately changed the cards and cancelled all the old cards that were assigned to the Homer Police Department. It is obvious that there were no controls in place to oversee the possession of and use of the fuel cards.

American Rescue Plan Act

As previously reported, the 2021 audit report for the Town of Homer disclosed that elected officials, such as a mayor or council member, would not be considered essential worker/front-line employees and not eligible to receive compensation under the American Rescue Plan Act. The 2021 audit is dated February 13, 2023, yet no action has been taken by the town to recover the improper compensation. Mayor Seals and five council members each received \$2,000 as premium pay. The payments were never budgeted nor were the payments approved by the Board of Selectmen. On March 30, 2025, I sent letters to each of the council members and the mayor requesting repayment of the \$2,000 improper payments. My letter requested that the funds be repaid by April 11, 2025; however, as of July 31, 2026, only \$2,642 has been repaid.

The 2022 audit report for the Town of Homer disclosed that \$300,000 of Coronavirus State and Local Fiscal Recovery Funds were transferred to the Enterprise Fund for the purpose of making bond payments for the year ended December 31, 2022. The use of these funds for bond payments is not permitted. The transfers were never budgeted nor were they approved by the Board of Selectmen. The improper use of the funds for bond payments could result in requirements that the funds be repaid to the U.S. Department of Treasury and/or face other penalties. If repayment becomes necessary, this will add to an already tremendous burden of unpaid and past due obligations.

Approximately \$725,000 of Coronavirus State and Local Fiscal Recovery Funds were used for other purposes that may be allowable expenses; however, the use of these funds was never budgeted nor approved by the Board of Selectmen.

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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 an 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 for the town as of July 31, 2026, total \$84,891 with no payables greater than 90 days old.

In my quarterly report dated April 30, 2025, total accounts payable were \$338,668 and accounts payable greater than 90 days old were \$193,467. We have made significant progress in taking care of old outstanding debt.

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 continue to be prepared each month, 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 contract accountant and presented to the Board of Selectmen at their February 10, 2025, meeting. Subsequently, at the monthly board meetings, financial statements were presented and discussed in detail with the board members and mayor. We have also established a finance committee with two members of the Board of Selectmen who meet monthly and review bank reconciliations, sales tax collections and analyses, aged accounts payable, payroll reports, bonded indebtedness reports, and monthly budget to actual financial statements.
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.

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

5. **Expenses** As previously reported, 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.

Budget and Monitoring of Revenue & Expenses

1. **Budget Monitoring** As previously reported, revenue and expenses were not monitored each month by the mayor or the town treasurer. Also as previously reported, financial statements with a budgetary comparison in 2023 and 2024 were prepared and submitted each month to the mayor and board of selectmen by the former contract accountant. Also as previously reported, these statements were incomplete, inaccurate, and unreliable. Because the former 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.

2. **Spending** As previously reported, spending was not based on the budget approved by the Board of Selectmen. As mentioned in Item 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 have experienced numerous sewer system repairs and maintenance that were not fully anticipated when the budget was initially adopted. These repairs and maintenance were

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necessary to keep the sewer system operating and budget adjustments will have to be made.

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Analysis of Budget to Actual						
2019 thru 2024						
	2019	2020	2021	2022	2023	2024
	Budget to Actual	Budget to Actual	Budget to Actual	Budget to Actual	Budget to Actual	Budget to Actual
	Net Change	Net Change	Net Change	Net Change	Net Change	Net Change
	Fund Balance	Fund Balance	Fund Balance	Fund Balance	Fund Balance	Fund Balance
	Favorable	Favorable	Favorable	Favorable	Favorable	Favorable
	(Unfavorable)	(Unfavorable)	(Unfavorable)	(Unfavorable)	(Unfavorable)	(Unfavorable)
General Fund	(19,715.00)	252,481.00	160,427.00	(73,551.00)	(226,643.00)	505,041.00
Police Fund	(1,112.00)	(43,579.00)	(81,606.00)	9,013.00	(316,366.00)	(479,124.00)
Street Fund	(4,248.00)	13,450.00	(31,336.00)	12,238.00	(54,485.00)	(190,882.00)
Recreation Fund	(3,946.00)	25,508.00	(11,573.00)	14,759.00	(39,227.00)	(58,811.00)
Industrial Fund	(130.00)	(90,741.00)	(25,448.00)	4,929.00	(17,332.00)	16,005.00
Fire Fund	2,845.00	10,271.00	(12,966.00)	(17,301.00)	(43,977.00)	(28,699.00)
Hotel/Tourism Fund	(52.00)	7,809.00	(326.00)	1,504.00	(7,391.00)	(24,964.00)
Enterprise Fund	27,222.00	127,537.00	(177,473.00)	(83,798.00)	(392,035.00)	335,196.00
Total Net Under Spent (Over Spent) Budget	864.00	302,736.00	(180,301.00)	(132,207.00)	(1,097,456.00)	73,762.00
			524,704.00	524,935.00		
			(Not Incorporated into Budget)			

The table above presents the changes in fund balance over the past six years for each fund and the total net effect for each year. In 2021, the town spent \$180,301 more than was budgeted for the year. In 2022, the town spent \$132,207 more than was budgeted for the year. The town received American Rescue Plan Act Funds during these two years; however, the funds were not budgeted. The spending levels continued into 2023, and the town spent \$1,097,456 more than was budgeted for the year. In August 2024, I began my role as fiscal administrator and started making spending cuts; however, spending practices continued through the first 7 months of 2024. As presented in the personnel section later in this summary, salaries and wages increased significantly.

- Budget Amendment for 2024 and Budgets for 2025 and 2026** 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. As previously mentioned herein, a budget amendment was approved by the Board of Selectmen at their May 2025 meeting, and another amendment was approved in December 2025. The 2026 budget was presented to the board at their December regular board meeting, and a special meeting was held to adopt the budget prior to December 31, 2025.

Payroll and Payroll Taxes

- 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 3rd and 4th quarters 2023 and the 1st and 2nd quarters of 2024. Payroll taxes were not remitted to the

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IRS or the Louisiana Department of Revenue for these quarters and most of the third quarter of 2024. All forms have now been filed; however, all the tax liability has not been paid.

2. **Payroll Tax Liability**, based on payroll entries to the accounting system, unpaid payroll taxes were as follows.

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 TAXES	\$117,892	\$146,350	\$264,242

In addition to the unpaid payroll taxes, as of April 30, 2025, the Internal Revenue Service had levied interest and penalties as follows.

Federal Payroll Taxes Penalties and Interest Assessed As of April 30, 2025					
Quarter	Failure to File Penalty	Failure to Pay Penalty	Failure to Make Proper Tax Deposit Penalty	Interest	Total
3 rd Quarter 2024			\$3,524		\$3,524
2 nd Quarter 2024	\$6,328	\$1,172	\$7,031	\$1,756	\$16,287
1 st Quarter 2024	\$9,470	\$1,684	\$6,314	2,785	\$20,253
4 th Quarter 2023	\$12,822	\$3,134	\$8,548	\$5,237	\$29,741
3 rd Quarter 2023	\$7,709	\$2,398	\$5,166	\$4,070	\$19,343
2 nd Quarter 2023	\$1,651	\$624	\$2,464	\$1,067	\$5,806
1 st Quarter 2023	\$43	\$18	\$0	\$30	\$91
TOTAL PENALTIES and INTEREST	\$38,022	\$9,030	\$33,047	\$14,945	\$95,045

The IRS has abated the civil penalties for not timely filing W2s in 2021 and 2022 totaling \$22,220 and these are no longer included in the table above. We also paid \$157,938 toward the federal payroll taxes, penalties and interest; however, penalties and interest continue to be levied. Additionally, payments totaling \$30,653 submitted for the 4th quarter of 2025 were applied to 2023 balances. Total payments for past due taxes, penalties, and interest have been \$188,591. In August 2026, I was finally able to obtain complete tax transcripts for the Town of Homer. The following table shows the remaining outstanding balances as of August 12, 2026.

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Town of Homer Remaining Payroll Taxes, Penalties, and Interest As of August 12, 2026						
Quarter Year	Tax Due	Penalties	Interest	Total Due	Payments Made	Balance
1 / 2024	\$42,090	\$17,468	\$2,785	\$62,343	\$42,090	\$20,252
2 / 2024	\$46,873	\$14,531	\$1,756	\$63,160	\$0	\$63,160
3 / 2024	\$42,1332	\$5,286	\$0	\$47,418	\$6,894	\$40,525
4/ 2025	\$30,653	\$0	\$468	\$56,035	*	\$56,035
Total	\$161,748	\$37,285	\$5,009	\$228,956	\$48,984	\$179,972
*The 4th quarter 2025 payments were applied to 2023 amounts due and a single payment of \$55,566.84 that we made in 2025 was originally applied to the 4 th quarter of 2025 but transferred to 2023 amounts due.						

We continue to request the abatement of penalties but have not received a favorable response. Additional penalties and interest have been 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. Recent correspondence received from the IRS indicates that they have reviewed our requests for penalty abatement but have denied the requests. There has been no indication from the IRS regarding the appointment of an IRS Officer.

Ultimately, I hope the IRS will continue to consider the abatement of the penalties. Recent correspondence does not provide much hope that the penalties will be abated; however, we received correspondence offering a payment plan and we completed the appropriate form requesting a \$4,000 per month plan. We received a notice dated from the IRS dated August 24, 2026, stating that they need another 90 days to consider our request.

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. After working with bond counsel for LDH, the bond payments have been restructured to move the unpaid balances into future years. A final agreement was approved on June 9, 2025.

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Monthly payments are now made on or before the 20th day of each month to Argent Trust in accordance with a Deposit Trust Agreement. The monthly payment for principal, interest, and administrative fees in 2025 is \$17,316.16. The agreement also requires the town to fully fund the required reserve account by monthly depositing \$1,605.17 with Argent Trust over five years. Bond principal, interest, and administrative fee payments will be less in 2026 through 2036 (bond retirement date is November 2036) because the 2025 payments are providing for past due interest payments to be paid in December 2025. Additionally, \$416.67 per month is paid to Argent Trust as a paying agent fee. 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. After working with bond counsel for DEQ, the bond payments have been restructured to move the unpaid balances into future years. A final agreement was approved on June 9, 2025.

Monthly payments are now made on or before the 20th day of each month to Argent Trust in accordance with a Deposit Trust Agreement. The monthly payment for principal, interest, and administrative fees in 2025 is \$13,438.48. The agreement also requires the town to fully fund the required reserve account by monthly depositing \$1,299.30 with Argent Trust over five years. Bond principal, interest, and administrative fee payments will be less in 2026 through 2034 (bond retirement date is November 2034) because the 2025 payments are providing for past due interest payments to be paid in December 2025. Additionally, \$416.67 per month is paid to Argent Trust as a paying agent fee. 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 of \$14,327 to Argent Trust in accordance with a Deposit Trust Agreement. The January through July 2025 bond reserve fund payments into a separate bond reserve account maintained by the town were \$2,666 each month 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 \$5,646 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

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been incurring expenses for water and/or sewer system improvements. However, we will begin funding this required account in 2026. All payments come from water and sewer system revenue.

- 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 2026 now includes reserve funding and as mentioned in Items 1 through 3 above, we are making the reserve deposits each month.
- 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 \$56,000, and this must be paid. 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.

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

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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

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 have not determined the cause of these discrepancies.

At the end of July 2026, we billed 1,375 water and sewer customers compared to 1,463 water and sewer customers billed at the end of July 2024. This is a reduction of 88 customers. We continue to disconnect water services when bills are not paid. We monitor this each month.

Personnel

1. **Payroll expenses** were approximately \$118,000 per month (projected \$1,416,000 annual amount) 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 20 employees, the mayor, and five board members with a monthly payroll of approximately \$68,000 (\$816,000 annual amount).

From 2015 to 2023, the number of employees and reported wages increased dramatically. The following table shows the total wages reported from IRS Form W-3.

Wages Reported on IRS Form W-3				
Year	# of W-2s	Total Wages	Increase From Prior Year	Percent Increase
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%
2025	54	\$751,462	(\$394,217)	-34.41%

The number of employees and the wages paid increased significantly beginning in 2019. The 2024 and 2025 wages are lower because of cuts made after I came in as fiscal administrator in August 2024.

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- 2. Additional Personnel Cuts** do not currently seem to be necessary. As discussed in prior quarterly reports, I felt it may have been necessary to make personnel reductions in the Homer Police Department. The extent of these potential cuts was not known and because we have not been able to reach an agreement with the Claiborne Parish Sheriff for law enforcement, I am no longer considering additional cuts to the Homer Police Department.

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 fourteen vehicles from Enterprise at a monthly cost of approximately \$13,000. Additionally, from September 2023 through October 2024, the town 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** Eleven vehicles have been returned to Enterprise. We have not received complete 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 ten vehicles that were returned were assigned as follows:
 - Mayor (1)
 - Chief of Staff & Recreation Director (1)
 - Police (5)
 - Public Works/Street (3)
 - Animal Control (1)
- 3. Monthly and Annual Savings** from returning these vehicles will be approximately \$10,200 per month and \$122,400 annually.

Insurance

- 1. Property and Casualty Insurance** premiums increased from \$160,000 in 2023 to \$281,000 in 2024. The premium for 2025 was \$287,861 and the premium for 2026 is \$273,167. Insurance payments are financed through First Insurance Finance and after a down payment of \$24,310 in March, 2026, 10 monthly payments of \$25,889 are due on the 7th of each month beginning April 7, 2026.
- 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

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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 is unlikely that I will be able to create a reserve in 2026.

- 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 ten months. The 2026 adjusted premium has not been determined at this time but will be less than the 2025 premium.

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 my quarterly report dated April 30, 2025, and in my July 31, 2025, quarterly report under the Sales Tax Allocation section on pages 3 and 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 was a significant difference between Republic billings and town billings. Republic billed the town each month for 1,468 customers; however, the town only billed 1,123 garbage customers. As previously discussed herein, the town no longer bills residential garbage customers. However, on February 26, 2025, Republic and the town conducted a joint count of customers and agreed to a count of 1,364 customers.

Health Insurance

As previously reported in my prior quarterly update, 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 six 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 list of these former employees, their release date, the premiums paid by the town, and the amount credited by Blue Cross.

Employee Name	Release Date	Premiums Paid by Town	Credit From Blue Cross	Difference
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

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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
TOTAL		\$32,892.42	\$11,699.10	\$21,193.32

Audits

1. **Last Issued Financial Audit** is for the fiscal year ended December 31, 2024.
2. **Financial Audit in Progress** for the fiscal year ended December 31, 2025, with an anticipated completion now estimated to be in September 2026.
3. **Investigative Audit in Progress** The Legislative Auditor's Office Investigative Audit Services sent a team of auditors to Homer to conduct an investigative audit of the town. Their work has not been completed at this time, and I had hoped that they would complete their efforts before the end of June 2026. I believe they are close to completing their work. Once their work is complete, I anticipate that they will issue a report to the town and to the District Attorney of the Second Judicial District.