

THE CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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MEMBERS OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
AICPA PRIVATE COMPANIES PRACTICE SECTION
AICPA EMPLOYEE BENEFIT PLAN AUDIT QUALITY CENTER

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Directors
City of Barling
Barling, Arkansas

We have audited the accompanying financial statements of the City of Barling, Arkansas Water and Sewer System, which comprise the Combined Statements of Net Position as of December 31, 2015 and 2014, and the related Combined Statements of Revenues, Expenses and Changes in Fund Net Position, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Barling, Arkansas Water and Sewer System, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Maintenance and Administrative Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such schedules has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Barling, Arkansas Water and Sewer System and do not purport to, and do not present fairly the financial position of the City of Barling, Arkansas as of December 31, 2015 and 2014, the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Thomas Gammill & Co., Ltd.

Fort Smith, Arkansas
November 8, 2016

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Combined Statements of Net Position
December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current Assets</u>		
Cash in bank	\$ 373,120	\$ 542,296
Certificate of deposit	765,355	763,826
Accounts receivable – customers (Note 1)	115,813	116,843
Interest receivable	67	67
Parts and supplies inventories (Note 1)	<u>47,495</u>	<u>30,962</u>
Total Current Assets	<u>1,301,850</u>	<u>1,453,994</u>
<u>Restricted Funds (Note 2)</u>		
Cash in bank	236,205	265,359
Interest receivable	<u>5</u>	<u>248</u>
Total Restricted Funds	<u>236,210</u>	<u>265,607</u>
<u>Property and Equipment (Note 1)</u>		
Land	127,000	127,000
Water plant in service	2,948,894	2,856,399
Sewage collection system	13,132,015	13,046,560
Maintenance equipment	314,561	312,717
Office equipment	12,774	12,774
Trucks	35,108	35,108
Capitalized costs (Note 6)	<u>112,374</u>	<u>112,374</u>
	16,682,726	16,502,932
Less: Accumulated depreciation	(5,375,404)	(4,964,753)
Net Property and Equipment	<u>11,307,322</u>	<u>11,538,179</u>
<u>Other Assets</u>		
Construction in progress	265,813	104,749
Contribution to General Fund	<u>35,801</u>	<u>35,801</u>
Total Other Assets	<u>301,614</u>	<u>140,550</u>
Total Assets	<u>13,146,996</u>	<u>13,398,330</u>
<u>Deferred Outflows of Resources</u>		
Unamortized bond discounts, fees and refunding loss (Note 1)	<u>264,151</u>	<u>275,273</u>
Total Assets and Deferred Outflows of Resources	\$ <u>13,411,147</u>	\$ <u>13,673,603</u>

The accompanying Notes to Financial Statements are an integral part of this report.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Combined Statements of Net Position
December 31, 2015 and 2014

LIABILITIES AND NET POSITION

	<u>2015</u>	<u>2014</u>
<u>Current Liabilities</u> (Payable from current assets)		
Accounts payable	\$ 60,524	\$ 34,730
Due to City of Barling	31,501	29,423
Payroll taxes payable	1,505	1,521
Sales tax payable	<u>7,298</u>	<u>6,440</u>
Total Current Liabilities (Payable from current assets)	<u>100,828</u>	<u>72,114</u>
<u>Current Liabilities</u> (Payable from restricted assets)		
Revenue bonds due within one year:		
2004 water and sewer revenue bonds (Note 3)	100,000	100,000
Accrued interest	11,716	11,881
Customer meter deposits	<u>66,249</u>	<u>66,182</u>
Total Current Liabilities (Payable from restricted assets)	<u>177,965</u>	<u>178,063</u>
<u>Long-term Debt</u>		
Revenue bonds (Note 3)	3,635,000	3,735,000
Less: Current maturities	<u>(100,000)</u>	<u>(100,000)</u>
Total Long-term Debt	<u>3,535,000</u>	<u>3,635,000</u>
Total Liabilities	<u>3,813,793</u>	<u>3,885,177</u>
<u>Net Position</u>		
Invested in capital assets, net of related debt	7,938,135	7,907,928
Restricted	236,210	265,607
Unrestricted	<u>1,423,009</u>	<u>1,614,891</u>
Total Net Position	<u>9,597,354</u>	<u>9,788,426</u>
Total Liabilities and Net Position	\$ <u>13,411,147</u>	\$ <u>13,673,603</u>

The accompanying Notes to Financial Statements are an integral part of this report.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
 Combined Statements of Revenues and
 Expenses and Changes in Fund Net Position
 For the Years Ending December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Water and Sewer Revenue</u>	\$ 1,219,859	\$ 1,128,162
Sewer Fees and Water Purchased	<u>402,930</u>	<u>368,315</u>
<u>Gross Profit</u>	816,929	759,847
<u>Operating Expenses</u>		
Maintenance	395,416	384,056
Administrative	<u>44,727</u>	<u>42,355</u>
Total Operating Expenses	<u>440,143</u>	<u>426,411</u>
<u>Operating Income Before Depreciation Expense</u>	376,786	333,436
Depreciation Expense	<u>418,563</u>	<u>418,434</u>
<u>Operating Income (Loss)</u>	(41,777)	(84,998)
<u>Non-operating Revenues (Expenses)</u>		
Gain on Sale of equipment	-0-	10,125
Interest income	2,619	2,910
Tower lease income	16,770	16,628
Interest and paying agent's fees	(147,053)	(149,163)
Amortization of bond discounts and fees (Note 1)	(11,122)	(11,122)
Transfer to street fund	<u>(10,509)</u>	<u>(10,524)</u>
Net Non-operating Revenues (Expenses)	<u>(149,295)</u>	<u>(141,146)</u>
<u>Increase/(Decrease) in Net Position</u>	(191,072)	(226,144)
<u>Beginning Net Position</u>	<u>9,788,426</u>	<u>10,014,570</u>
<u>Ending Net Position</u>	\$ <u>9,597,354</u>	\$ <u>9,788,426</u>

The accompanying Notes to Financial Statements are an integral part of this report.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Combined Statements of Cash Flows
For the Years Ending December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operations</u>		
Receipts from customers	\$ 1,220,956	\$ 1,127,283
Payments to suppliers	(593,622)	(574,844)
Payments to employees	(192,543)	(181,376)
Payments for other administration costs	(44,727)	(42,355)
Net Cash Provided by Operating Activities	<u>390,064</u>	<u>328,708</u>
<u>Cash Flows From Non-capital Financing Activities</u>		
(Addition) Deletion to certificates of deposit	(1,529)	469,067
Net Cash Used by Non-capital Financing Activities	(1,529)	<u>469,067</u>
<u>Cash Flows From Capital and Related Financing Activities</u>		
Proceeds from Sale of equipment	-0-	10,125
Purchase of property, plant and equipment	(348,771)	(337,373)
Principal payment of notes and bonds payable	(100,000)	(95,000)
Interest paid on notes and bonds payable	(144,550)	(146,604)
Agent fees paid on bonds payable	(2,668)	(2,715)
Transfer to street fund and general fund	(10,508)	(10,524)
Net Cash Used by Capital and Related Financing Activities	(606,497)	(582,091)
<u>Cash Flows From Investing Activities</u>		
Interest received	2,862	3,088
Miscellaneous income	<u>16,770</u>	<u>16,628</u>
Net Cash Provided by Investing Activities	<u>19,632</u>	<u>19,716</u>
Increase (decrease) in Cash	(198,330)	235,400
<u>Cash, at Beginning of Year</u>	<u>807,655</u>	<u>572,255</u>
<u>Cash, at End of Year</u>	\$ <u>609,325</u>	\$ <u>807,655</u>

Reconciliation of Cash to the Statement of Net Assets

Unrestricted cash	\$ 373,120	\$ 542,296
Restricted cash	<u>236,205</u>	<u>265,359</u>
	\$ <u>609,325</u>	\$ <u>807,655</u>

The accompanying Notes to Financial Statements are an integral part of this report.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Combined Statements of Cash Flows
For the Years Ending December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Reconciliation of Operating Income to Net Cash</u>		
<u>Provided by Operating Activities</u>		
Operating income (loss)	\$ (41,777)	\$ (84,998)
Adjustment to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	418,563	418,434
Decrease (Increase) in receivables	1,030	(469)
Decrease (Increase) in inventory	(16,533)	3,061
Increase (Decrease) in accounts payable	25,794	(7,023)
Increase (Decrease) in Due to City of Barling	2,078	1,928
Increase (Decrease) in payroll taxes payable	(16)	(633)
Increase (Decrease) in sales tax payable	858	(1,182)
Increase (Decrease) in customer meter deposits	<u>67</u>	<u>(410)</u>
Total Adjustments	<u>431,841</u>	<u>413,706</u>
Net Cash Provided by Operating Activities	\$ <u>390,064</u>	\$ <u>328,708</u>

The accompanying Notes to Financial Statements are an integral part of this report.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Barling provides water and sewer service to the residents and businesses of Barling, Arkansas and surrounding areas. The revenue to finance the system is provided through user charges based on usage and monthly service charges.

USE OF ESTIMATES

The System's management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

CRITERIA USED IN DETERMINING THE SCOPE OF THE REPORTING ENTITY FOR FINANCIAL PURPOSES

The City of Barling Water and Sewer System is a component unit of the City of Barling. As such, a presentation of financial position and results of operations in accordance with accounting principles generally accepted in the United States of America for the City of Barling would require inclusion of the City of Barling Water and Sewer System in the financial statements of the City of Barling. The City of Barling exercises oversight responsibility over the City of Barling Water and Sewer System. Factors considered in determining this relationship were as follows:

- a. Financial interdependency
- b. Selection of governing authority
- c. Designation of management
- d. Ability to significantly influence operations
- e. Accountability for fiscal matters

These financial statements present only the City of Barling Water and Sewer System and are not intended to present fairly the financial position and results of operations of the City of Barling in conformity with accounting principles generally accepted in the United States of America.

BASIS OF ACCOUNTING

The City of Barling Water and Sewer System maintains its books on a modified cash basis. The books have been converted to an accrual basis for audited financial statement presentation. Under the accrual basis of accounting, all assets and liabilities (whether current or noncurrent) associated with the activities of the water and sewer system are recorded on its statement of net position.

Revenues are recognized when earned and expenses are recognized when incurred. The system implemented *GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This pronouncement incorporates the FASB, APB and ARB pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. The implementation of this pronouncement had no significant effect on the financial statements.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The accompanying financial statements include the following funds of the Water and Sewer System:

Revenue Fund
Operating and Maintenance Fund
Deposits Fund
2011 Water and Sewer Revenue and Refunding Bond Fund
2011 Depreciation Fund

Transfers between funds have been eliminated in combining these funds.

REGULATORY ENVIRONMENT

The quality of water emitted from the sewer treatment plant is regulated by the Environmental Protection Agency and the Arkansas Department of Environmental Quality. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Department of Environmental Quality (ADEQ).

DEPOSITORY ACCOUNTS

The City of Barling Water and Sewer System maintains depository accounts in excess of \$250,000 with two local banks. The FDIC insures up to \$250,000 for all time and savings accounts, all demand deposit accounts, and all funds deposited in bond and interest sinking funds. The banks have pledged securities which provide adequate collateral for these deposits. The amount of deposits over FDIC coverage as of December 31, 2015 amounted to \$758,232.

ACCOUNTS RECEIVABLE

Uncollectible accounts receivable are charged directly against income in the year they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

INVENTORIES

Inventories were stated at average cost at December 31, 2015 and 2014.

PROPERTY AND EQUIPMENT

Additions and major renewals and improvements which have the effect of extending the useful lives of property are carried at cost. Depreciation of property and equipment of the Water and Sewer System is computed using the straight-line method over the following useful lives:

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM

Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Water plant in service	15 - 40 years
Sewage collection system	10 - 40 years
Meters and meter boxes	20 years
Maintenance equipment	5 - 7 years
Office equipment	5 years
Leasehold improvements	10 years
Maintenance building	20 - 31.5 years
Trucks	5 years

Additions and deletions to the major groups of property and equipment are as follows:

	<u>Balance</u> <u>12-31-14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-15</u>
Land	\$ 127,000	\$ -0-	\$ -0-	\$ 127,000
Water plant in service	2,856,399	92,495	-0-	2,948,894
Sewer collection system	13,046,560	85,455	-0-	13,132,015
Maintenance equipment	312,717	9,756	(7,912)	314,561
Office equipment	12,774	-0-	-0-	12,774
Trucks	35,108	-0-	-0-	35,108
Capitalized costs	<u>112,374</u>	<u>-0-</u>	<u>-0-</u>	<u>112,374</u>
Total	\$ <u>16,502,932</u>	\$ <u>187,706</u>	\$ (<u>7,912</u>)	\$ <u>16,682,726</u>

Depreciation expense for 2015 and 2014 was \$418,563 and \$418,434, respectively.

AMORTIZATION OF BOND DISCOUNTS AND FEES

Bond discounts, fees and refunding losses are amortized over the life of the bonds on the straight-line method. Amortization expense for 2015 and 2014 was \$11,122 and \$11,122. At December 31, 2015, Unamortized Bond Discounts, Fees and Refunding Losses consisted of the following:

	<u>Unamortized</u> <u>Bond Discounts</u>	<u>Unamortized</u> <u>Bond Issue Fees</u>	<u>Unamortized</u> <u>Refunding Loss</u>
2011 Revenue and Refunding Bonds	\$89,498	\$26,586	\$148,067

INCOME TAX

The System is municipally owned and is exempt from federal and state income tax.

ADVERTISING

The System follows the policy of charging advertising to expense as incurred.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

CASH FLOWS

For the purpose of the Statements of Cash Flows, the System considers cash equivalents to be all highly liquid securities with an original maturity of three months or less. At December 31, 2015 and 2014, the System had no cash equivalents.

NONOPERATING REVENUE

Revenue derived from sources other than customers of the Water and Sewer System are classified as nonoperating and reported under the nonoperating revenues/expenses section of the Combined Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 2 - RESTRICTED FUNDS

WATER AND SEWER SYSTEM REVENUE FUND

The Water and Sewer System Revenue Fund is a restricted fund into which all income and revenues arising from the operation or ownership of the water and sewer system are to be paid. Payment is to be made from this fund monthly in the amount of 1/12 of the next installment of principal and interest due on the 2011 Water and Sewer Revenue and Refunding Bonds. The remainder of the water and sewer revenue is to be paid into the Water and Sewer System Operating and Maintenance Fund to pay the reasonable and necessary monthly expenses of operations, repairs, maintenance and insurance of the Water and Sewer System.

2011 WATER AND SEWER REFUNDING REVENUE BONDS

The 2011 Bond Fund is a restricted fund to be used solely for the payment of principal and interest on the 2011 Refunding Revenue Bonds and for the establishment of a debt service reserve.

DEPOSITS FUND

The Deposits Fund is a restricted fund used to hold customer meter deposits.

2011 DEPRECIATION FUND

The 2011 Depreciation Fund is a restricted fund used to hold 3% of gross customer billings that are set aside to fund needed repairs to the water and sewer system.

COMPLIANCE WITH COVENANTS OF BOND ORDINANCES

The above restricted funds were created by various ordinances of the City. At December 31, 2015 and 2014, the City of Barling Water and Sewer System was in substantial compliance with all covenants of the bond ordinances.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 3 - LONG-TERM DEBT

Long-term notes and bonds payable collateralized by pledge of water and sewer revenue consisted of the following at December 31, 2015:

	<u>Interest Rate</u>	<u>Balance 2015</u>
City of Barling, Arkansas 2011 Water and Sewer Refunding Revenue Bonds with principal payment due each December 1 in amounts ranging from \$100,000 to \$235,000. Interest is payable each June 1 and December 1. These bonds mature serially through 2039	2.00%-4.60%	\$ 3,635,000
Less: Current Maturities		<u>100,000</u> \$ <u>3,535,000</u>

The repayment schedule for the revenue bonds is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 100,000	\$ 142,550
2017	105,000	140,550
2018	105,000	138,398
2019	110,000	135,930
2020	110,000	133,015
2021-2025	605,000	610,518
2026-2030	725,000	490,242
2031-2035	895,000	325,163
2036-2039	880,000	103,295

Activity of the long-term notes and bonds payable consists of the following:

	<u>Balance at 01/01/2015</u>	<u>Loan Advances</u>	<u>Loan Repayments</u>	<u>Balance at 12/31/2015</u>
City of Barling, Arkansas, Series 2011 Water and Sewer Refunding Revenue Bonds	\$ 3,735,000	\$ -0-	\$ 100,000	\$ 3,635,000

The above liability is not a general obligation of the City, but a special obligation that is secured and is payable solely from revenues derived from operation of the City of Barling, Arkansas Water and Sewer System.

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Notes to Financial Statements
December 31, 2015 and 2014

NOTE 4 - RESTRICTION OF NET ASSETS

The following details the amount of all restrictions on net assets by the Water and Sewer System at December 31, 2015:

a. Restricted for repayment of bonds	\$ 145,235
b. Restricted for system repairs	49,667
c. Restricted for customer meter deposits	<u>41,308</u>
Total Restricted Net Assets	\$ <u>236,210</u>

NOTE 5 - WATER AND SEWER COMMITMENTS

The City of Barling has a contract with the City of Fort Smith in which the City of Barling is committed to purchase water from the City of Fort Smith, and is therefore subject to rate changes for water services.

The City of Barling has outstanding construction commitments at the end of 2015 in the amount of \$203,935 for capital improvement projects.

NOTE 6 - CAPITALIZED COSTS

The System incurred construction and engineering costs during 1995, 1993 and 1992, relating to improvements to the water system, water tank, and pump station. These costs of \$112,374 have been capitalized to reflect their long-term nature.

NOTE 7 - RETIREMENT PLAN

Eligible employees of the System may elect to participate in the Section 457 Deferred Compensation Plan maintained by the City. Participating employees may defer up to \$7,500 of wages. The City matches up to 3% of participating employees' wages. For 2015 and 2014, the System's matching expense was \$3,493 and \$3,296, respectively. Employee deferrals made for 2015 and 2014 were \$4,364 and \$4,088, respectively.

NOTE 8 - RELATED PARTY TRANSACTIONS

As various employees of the City perform duties that benefit funds other than the fund from which they are paid, reimbursements are paid from fund to fund to more closely match expenses. For 2015 and 2014, the Water and Sewer System paid other funds \$44,926 and \$42,646, respectively, to reimburse them for work that employees of those funds performed that benefitted the Water and Sewer System. This amount is included under maintenance expense in salaries and payroll transfers.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 8, 2016 - the date the financial statements were available for issuance.

SUPPLEMENTAL INFORMATION

CITY OF BARLING, ARKANSAS
WATER AND SEWER SYSTEM
Supplemental Information
Schedules of Maintenance and Administrative Expenses
For the Years Ending December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Maintenance Expenses</u>		
Salaries and payroll transfers	\$ 192,543	\$ 181,376
Payroll taxes and retirement	14,093	13,421
Repairs and maintenance	69,760	73,042
Vehicle expense	5,599	4,437
Utilities and telephone	29,060	27,397
Miscellaneous	2,045	7,110
Insurance	29,427	30,523
Materials and supplies	25,984	23,218
Chemicals	444	374
Water sampling and testing	16,061	12,958
Licenses and permits	<u>10,400</u>	<u>10,200</u>
 Total Maintenance Expenses	 \$ <u>395,416</u>	 \$ <u>384,056</u>
 <u>Administrative Expenses</u>		
Office supplies	\$ 6,264	\$ 4,245
Professional fees	9,783	9,138
Postage	8,059	7,624
Insurance	<u>20,621</u>	<u>21,348</u>
 Total Administrative Expenses	 \$ <u>44,727</u>	 \$ <u>42,355</u>

The accompanying Notes to Financial Statements are an integral part of this report.