

**CITY OF DE QUEEN, ARKANSAS  
PROPRIETARY FUNDS**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**



**CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS**  
**DECEMBER 31, 2021 AND 2020**

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## **Independent Auditor's Report**

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To the City Council of De Queen, Arkansas  
220 N. 2<sup>nd</sup> Street  
De Queen, AR 71832

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Proprietary Funds of the City of De Queen, Arkansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Proprietary Funds of the City of De Queen, Arkansas as of December 31, 2021 and 2020, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted on the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Proprietary Funds of the City of De Queen, Arkansas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Proprietary Funds of the City of De Queen, Arkansas and do not purport to, and do not, present fairly the financial position of the City of De Queen, Arkansas, as of December 31, 2021 and 2020, 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.

### ***Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Proprietary Funds of the City of De Queen, Arkansas' financial statements. The comparative statements of revenues, expenses and changes in fund balance as are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the comparative statements of revenues, expenses and changes in fund balance are fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2023, on our consideration of the Proprietary Funds of the City of De Queen, Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Proprietary Funds of the City of De Queen, Arkansas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Proprietary Funds of the City of De Queen, Arkansas' internal control over financial reporting and compliance.



**Przybysz & Associates, CPAs, P.C.  
Fort Smith, Arkansas  
January 6, 2023**

### ***Required Supplementary Information***

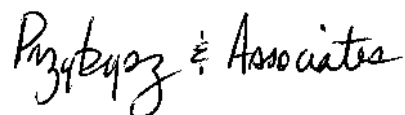
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**Przybysz & Associates, CPAs, P.C.  
Fort Smith, Arkansas  
January 6, 2023**

## ***FINANCIAL STATEMENTS***

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2021

	Water	Sewer	Sanitation	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 328,693	\$ 219,697	\$ 125,515	\$ 673,905
Certificate of deposits	480,000	-	240,000	720,000
Restricted cash	-	13	-	13
Restricted certificates of deposit	-	284,200	-	284,200
Accounts receivable, net	216,803	265,112	48,467	530,382
Inventories	85,779	-	-	85,779
Prepaid expenses	9,115	8,714	1,516	19,345
Interest receivable	789	174	792	1,755
<b>Total Current Assets</b>	<b>1,121,179</b>	<b>777,910</b>	<b>416,290</b>	<b>2,315,379</b>
<b>Noncurrent Assets</b>				
<b>Capital Assets</b>				
Land	38,322	3,070	-	41,392
Structures and improvements	1,943,589	-	-	1,943,589
Utility plant	10,986,599	14,010,598	-	24,997,197
Other equipment	233,741	172,800	680,383	1,086,924
Construction in progress	-	189,037	-	189,037
Total	13,202,251	14,375,505	680,383	28,258,139
Less accumulated depreciation	(5,694,408)	(6,912,488)	(424,671)	(13,031,567)
<b>Net Capital Assets</b>	<b>7,507,843</b>	<b>7,463,017</b>	<b>255,712</b>	<b>15,226,572</b>
<b>Total Assets</b>	<b>\$ 8,629,022</b>	<b>\$ 8,240,927</b>	<b>\$ 672,002</b>	<b>\$ 17,541,951</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 14,014	\$ 43,386	\$ 686	\$ 58,086
Sales tax payable	12,562	-	3,488	16,050
Accrued wages	9,746	6,978	3,729	20,453
Accrued compensated absences	20,221	12,368	6,127	38,716
Accrued interest payable	-	2,403	-	2,403
Other accrued liabilities	200	-	-	200
Due to General Fund	100,000	-	-	100,000
Current portion of long-term debt	-	215,792	-	215,792
<b>Total Current Liabilities</b>	<b>156,743</b>	<b>280,927</b>	<b>14,030</b>	<b>451,700</b>
Long-term debt	100,000	847,418	-	947,418
<b>Total Liabilities</b>	<b>256,743</b>	<b>1,128,345</b>	<b>14,030</b>	<b>1,399,118</b>
<b>Net Position</b>				
Net investment in capital assets	7,507,843	6,399,807	255,712	14,163,362
Restricted	-	281,810	-	281,810
Unrestricted	864,436	430,965	402,260	1,697,661
<b>Total Net Position</b>	<b>8,372,279</b>	<b>7,112,582</b>	<b>657,972</b>	<b>16,142,833</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 8,629,022</b>	<b>\$ 8,240,927</b>	<b>\$ 672,002</b>	<b>\$ 17,541,951</b>

See accompanying notes to financial statements.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2020

	Water	Sewer	Sanitation	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 94,526	\$ 162,733	\$ 57,172	\$ 314,431
Certificate of deposits	480,000	-	240,000	720,000
Restricted cash	-	13	-	13
Restricted certificates of deposit	-	284,200	-	284,200
Restricted investments	-	27,152	-	27,152
Accounts receivable, net	193,884	198,289	51,662	443,835
Inventories	89,798	-	-	89,798
Prepaid expenses	6,870	6,949	1,449	15,268
Interest receivable	789	174	792	1,755
<b>Total Current Assets</b>	<b>865,867</b>	<b>679,510</b>	<b>351,075</b>	<b>1,896,452</b>
<b>Noncurrent Assets</b>				
<b>Capital Assets</b>				
Land	38,322	3,070	-	41,392
Structures and improvements	1,490,189	-	-	1,490,189
Utility plant	11,106,656	14,105,699	-	25,212,355
Other equipment	224,669	207,304	638,848	1,070,821
Construction in progress	353,345	16,517	-	369,862
Total	13,213,181	14,332,590	638,848	28,184,619
Less accumulated depreciation	(5,538,258)	(6,755,165)	(360,508)	(12,653,931)
<b>Net Capital Assets</b>	<b>7,674,923</b>	<b>7,577,425</b>	<b>278,340</b>	<b>15,530,688</b>
<b>Total Assets</b>	<b>\$ 8,540,790</b>	<b>\$ 8,256,935</b>	<b>\$ 629,415</b>	<b>\$ 17,427,140</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 31,253	\$ 13,678	\$ -	\$ 44,931
Sales tax payable	13,194	-	3,500	16,694
Accrued wages	17,409	23,250	4,993	45,652
Accrued compensated absences	18,479	8,174	6,059	32,712
Accrued interest payable	-	4,591	-	4,591
Other accrued liabilities	200	-	-	200
Due to General Fund	100,000	-	-	100,000
Current portion of long-term debt	-	345,491	-	345,491
<b>Total Current Liabilities</b>	<b>180,535</b>	<b>395,184</b>	<b>14,552</b>	<b>590,271</b>
Long-term debt	200,000	1,493,712	-	1,693,712
<b>Total Liabilities</b>	<b>380,535</b>	<b>1,888,896</b>	<b>14,552</b>	<b>2,283,983</b>
<b>Net Position</b>				
Net investment in capital assets	7,674,923	5,738,222	278,340	13,691,485
Restricted	-	306,774	-	306,774
Unrestricted	485,332	323,043	336,523	1,144,898
<b>Total Net Position</b>	<b>8,160,255</b>	<b>6,368,039</b>	<b>614,863</b>	<b>15,143,157</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 8,540,790</b>	<b>\$ 8,256,935</b>	<b>\$ 629,415</b>	<b>\$ 17,427,140</b>

See accompanying notes to financial statements.



# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2021

	Water	Sewer	Sanitation	Total
<b>Operating Revenue</b>				
Water and sewer revenues, net of provision for bad debts	\$ 1,583,405	\$ 1,575,376	\$ 401,564	\$ 3,560,345
Other income	20,735	9,074	6,182	35,991
<b>Total Operating Revenue</b>	1,604,140	1,584,450	407,746	3,596,336
<b>Operating Expenses</b>				
Advertising	1,347	465	-	1,812
Auto expense	14,701	14,941	35,170	64,812
Chemicals	68,712	116,343	6,705	191,760
Contract labor	-	-	2,794	2,794
Depreciation	337,059	347,114	64,163	748,336
Employee benefits	103,344	68,629	32,828	204,801
Insurance	16,298	15,849	2,862	35,009
Memberships and licenses	15,607	8,940	465	25,012
Office supplies	5,342	5,281	-	10,623
Operating supplies	14,263	18,839	5,373	38,475
Other operating expenses	149	500	-	649
Payroll taxes	30,708	21,332	11,821	63,861
Professional fees	4,935	14,210	352	19,497
Repairs and maintenance	103,111	88,217	1,037	192,365
Salaries and wages	408,340	275,683	155,993	840,016
Travel	6,244	5,359	-	11,603
Uniforms	1,438	1,337	1,402	4,177
Utilities	182,387	171,536	-	353,923
<b>Total Operating Expenses</b>	1,313,985	1,174,575	320,965	2,809,525
<b>Net Income From Operations</b>	290,155	409,875	86,781	786,811
<b>Other Income (Expenses)</b>				
Interest income	13,538	7,794	6,328	27,660
Loss on sale of asset	(7,738)	(6,626)	-	(14,364)
AEDC grant income	16,069	-	-	16,069
Interest expense and fees	-	(64,290)	-	(64,290)
<b>Total Net Other Income (Expenses)</b>	21,869	(63,122)	6,328	(34,925)
<b>Net Income Before Transfers</b>	312,024	346,753	93,109	751,886
<b>Operating Transfers, net</b>	(100,000)	397,790	(50,000)	247,790
<b>Change in Net Position</b>	212,024	744,543	43,109	999,676
Net Position at Beginning of Year	8,160,255	6,368,039	614,863	15,143,157
<b>Net Position at End of Year</b>	\$ 8,372,279	\$ 7,112,582	\$ 657,972	\$ 16,142,833

See accompanying notes to financial statements.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

	Water	Sewer	Sanitation	Total
<b>Operating Revenue</b>				
Water and sewer revenues, net of provision for bad debts	\$ 1,530,368	\$ 1,521,831	\$ 400,052	\$ 3,452,251
Other income	10,758	27,432	3,128	41,318
<b>Total Operating Revenue</b>	<b>1,541,126</b>	<b>1,549,263</b>	<b>403,180</b>	<b>3,493,569</b>
<b>Operating Expenses</b>				
Advertising	193	312	101	606
Auto expense	14,591	8,077	25,733	48,401
Chemicals	44,362	131,294	9,315	184,971
Contract labor	-	-	3,751	3,751
Depreciation	296,255	348,540	71,129	715,924
Employee benefits	101,884	69,223	43,255	214,362
Insurance	14,091	14,422	2,805	31,318
Memberships and licenses	14,771	8,640	600	24,011
Office supplies	4,706	7,325	-	12,031
Operating supplies	13,696	13,509	5,052	32,257
Other operating expenses	407	790	190	1,387
Payroll taxes	25,779	18,949	10,779	55,507
Professional fees	10,018	13,373	921	24,312
Repairs and maintenance	83,503	38,302	-	121,805
Salaries and wages	370,970	275,876	149,694	796,540
Travel	1,603	446	-	2,049
Uniforms	2,250	1,779	1,250	5,279
Utilities	162,451	155,563	-	318,014
<b>Total Operating Expenses</b>	<b>1,161,530</b>	<b>1,106,420</b>	<b>324,575</b>	<b>2,592,525</b>
<b>Net Income From Operations</b>	<b>379,596</b>	<b>442,843</b>	<b>78,605</b>	<b>901,044</b>
<b>Other Income (Expenses)</b>				
Interest income	14,639	9,189	6,959	30,787
Gain on sale of asset	1,189	-	9,650	10,839
AEDC grant income	199,431	-	-	199,431
Interest expense and fees	-	(101,828)	-	(101,828)
<b>Total Net Other Income (Expenses)</b>	<b>215,259</b>	<b>(92,639)</b>	<b>16,609</b>	<b>139,229</b>
<b>Net Income Before Transfers</b>	<b>594,855</b>	<b>350,204</b>	<b>95,214</b>	<b>1,040,273</b>
<b>Operating Transfers</b>	<b>175,000</b>	<b>100,000</b>	<b>(50,000)</b>	<b>225,000</b>
<b>Change in Net Position</b>	<b>769,855</b>	<b>450,204</b>	<b>45,214</b>	<b>1,265,273</b>
Net Position at Beginning of Year	7,390,400	5,917,835	569,649	13,877,884
<b>Net Position at End of Year</b>	<b>\$ 8,160,255</b>	<b>\$ 6,368,039</b>	<b>\$ 614,863</b>	<b>\$ 15,143,157</b>

See accompanying notes to financial statements.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Water	Sewer	Sanitation	Total
<b>Cash Flows From Operating Activities</b>				
Cash receipts from customers	\$ 1,559,854	\$ 1,508,553	\$ 404,747	\$ 3,473,154
Other receipts	20,735	9,074	6,182	35,991
Cash payments to suppliers for goods and services	(584,051)	(523,835)	(100,190)	(1,208,076)
Cash payments to employees for services	(414,261)	(287,761)	(157,189)	(859,211)
<b>Net Cash Provided By Operating Activities</b>	<b>582,277</b>	<b>706,031</b>	<b>153,550</b>	<b>1,441,858</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>				
Operating transfers, net	(100,000)	397,790	(50,000)	247,790
<b>Net Cash Provided (Used) By Noncapital and Related Financing Activities</b>	<b>(100,000)</b>	<b>397,790</b>	<b>(50,000)</b>	<b>247,790</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition of capital assets	(177,717)	(239,332)	(41,535)	(458,584)
Grant proceeds for purchase of capital assets	16,069	-	-	16,069
Repayment of debt	-	(875,993)	-	(875,993)
Interest paid on debt	-	(66,478)	-	(66,478)
<b>Net Cash Used For Capital and Related Financing Activities</b>	<b>(161,648)</b>	<b>(1,181,803)</b>	<b>(41,535)</b>	<b>(1,384,986)</b>
<b>Cash Flows From Investing Activities</b>				
Net activity of restricted investments	-	27,152	-	27,152
Interest income	13,538	7,794	6,328	27,660
<b>Net Cash Provided By Investing Activities</b>	<b>13,538</b>	<b>34,946</b>	<b>6,328</b>	<b>54,812</b>
<b>Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash</b>	<b>334,167</b>	<b>(43,036)</b>	<b>68,343</b>	<b>359,474</b>
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	94,526	162,746	57,172	314,444
<b>Cash, Cash Equivalents, and Restricted Cash At End of Year</b>	<b>\$ 428,693</b>	<b>\$ 119,710</b>	<b>\$ 125,515</b>	<b>\$ 673,918</b>
<b>Reconciliation to the Statement of Net Position</b>				
Cash and cash equivalents	328,693	219,697	125,515	673,905
Restricted cash	-	13	-	13
<b>Total Cash, Cash Equivalents and Restricted Cash</b>	<b>328,693</b>	<b>219,710</b>	<b>125,515</b>	<b>673,918</b>
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>				
Net income from operations	\$ 290,155	\$ 409,875	\$ 86,781	\$ 786,811
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation	337,059	347,114	64,163	748,336
(Increase) decrease in:				
Accounts receivable	(22,919)	(66,823)	3,195	(86,547)
Inventories	4,019	-	-	4,019
Prepaid expenses	(2,245)	(1,765)	(67)	(4,077)
Increase (decrease) in:				
Accounts payable	(17,239)	29,708	686	13,155
Sales tax payable	(632)	-	(12)	(644)
Accrued wages	(7,663)	(16,272)	(1,264)	(25,199)
Accrued compensated absences	1,742	4,194	68	6,004
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 582,277</b>	<b>\$ 706,031</b>	<b>\$ 153,550</b>	<b>\$ 1,441,858</b>

See accompanying notes to financial statements.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Water	Sewer	Sanitation	Total
<b>Cash Flows From Operating Activities</b>				
Cash receipts from customers	\$ 1,497,780	\$ 1,471,908	\$ 397,173	\$ 3,366,861
Other receipts	11,208	27,506	3,401	42,115
Cash payments to suppliers for goods and services	(892,739)	(471,062)	(104,035)	(1,467,836)
Cash payments to employees for services	(360,343)	(264,152)	(150,857)	(775,352)
<b>Net Cash Provided By Operating Activities</b>	<b>255,906</b>	<b>764,200</b>	<b>145,682</b>	<b>1,165,788</b>
<b>Cash Flows From Noncapital and Related Financing Activities</b>				
Operating transfers	175,000	100,000	(50,000)	225,000
Due to Other Fund	(20,166)	20,166	-	-
<b>Net Cash Provided (Used) By Noncapital and Related Financing Activities</b>	<b>154,834</b>	<b>120,166</b>	<b>(50,000)</b>	<b>225,000</b>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Acquisition of capital assets	(745,313)	(69,785)	(168,865)	(983,963)
Proceeds from sale of assets	2,575	-	19,900	22,475
Grant proceeds for purchase of capital assets	199,431	-	-	199,431
Repayment of debt	(100,000)	(699,721)	-	(799,721)
Interest paid on debt	-	(104,508)	-	(104,508)
<b>Net Cash Used For Capital and Related Financing Activities</b>	<b>(643,307)</b>	<b>(874,014)</b>	<b>(148,965)</b>	<b>(1,666,286)</b>
<b>Cash Flows From Investing Activities</b>				
Net activity of restricted investments	-	(147)	-	(147)
Interest income	14,639	9,189	6,959	30,787
<b>Net Cash Provided By Investing Activities</b>	<b>14,639</b>	<b>9,042</b>	<b>6,959</b>	<b>30,640</b>
<b>Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash</b>	<b>(217,928)</b>	<b>19,394</b>	<b>(46,324)</b>	<b>(244,858)</b>
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	312,454	143,352	103,496	559,302
<b>Cash, Cash Equivalents, and Restricted Cash At End of Year</b>	<b>\$ 94,526</b>	<b>\$ 162,746</b>	<b>\$ 57,172</b>	<b>\$ 314,444</b>
<b>Reconciliation to the Statement of Net Position</b>				
Cash and cash equivalents	94,526	162,733	57,172	314,431
Restricted cash	-	13	-	13
<b>Total Cash, Cash Equivalents and Restricted Cash</b>	<b>94,526</b>	<b>162,746</b>	<b>57,172</b>	<b>314,444</b>
<b>Reconciliation Of Operating Income To Net Cash Provided By Operating Activities</b>				
Net income from operations	\$ 379,596	\$ 442,843	\$ 78,605	\$ 901,044
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation	296,255	348,540	71,129	715,924
(Increase) decrease in:				
Accounts receivable	(37,059)	(49,923)	(3,250)	(90,232)
Inventories	(5,773)	-	-	(5,773)
Prepaid expenses	(425)	487	(6)	56
Interest Receivable	450	74	273	797
Increase (decrease) in:				
Accounts payable	(392,236)	10,455	(277)	(382,058)
Sales tax payable	4,471	-	371	4,842
Accrued wages	3,743	15,782	649	20,174
Accrued compensated absences	6,884	(4,058)	(1,812)	1,014
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 255,906</b>	<b>\$ 764,200</b>	<b>\$ 145,682</b>	<b>\$ 1,165,788</b>

See accompanying notes to financial statements.

# **CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

### **Nature of Business**

The City of De Queen, Arkansas Proprietary Funds (the System) are a component unit of the City of De Queen, Arkansas (the City). The purpose of the System is to provide and maintain water, sewer and sanitation services to residents and commercial and industrial customers of the City of De Queen. Activities of the System include administration, operation and maintenance of the water, sewer and sanitation systems, and billing and collection activities. The System also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for sewer debt. The City Council of De Queen, Arkansas sets user charges, establishes budgets, selects management, and controls all aspects of the Water, Sewer and Sanitation System's daily operations.

### **1. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The System's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The System accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The System is considered to be a component unit of the City of De Queen. These financial statements reflect only the Water, Sewer and Sanitation System Enterprise Funds of the City of De Queen, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

#### **Financial Reporting**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

#### **Income Taxes**

The System is exempt from income taxes as a governmental agency.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 1. Summary of Significant Accounting Policies (continued)

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the System considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including restricted cash.

#### **Accounts Receivable**

Accounts receivable consists of water, sewer and sanitation fees and surcharges billed, and earned but unbilled, to residential and commercial/industrial customers. Accounts receivable are recorded net of estimated uncollectible amounts. Management establishes an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of the collectability of outstanding accounts receivable. As of December 31, 2021, the allowance for doubtful accounts was \$16,658 for the Water Fund, \$12,859 for the Sewer Fund and \$7,921 for the Sanitation Fund. As of December 31, 2020, the allowance for doubtful accounts was \$9,483 for the Water Fund, \$7,514 for the Sewer Fund and \$3,999 for the Sanitation Fund.

#### **Inventory**

Inventory consists of supplies and repair parts on hand for the operation and maintenance of plant and equipment. The amount recorded in these financial statements is valued at cost, which approximates market, using the first-in, first-out method. The cost of inventory is recognized as an expense when used (consumption method).

#### **Prepaid Expenses**

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

#### **Capital Outlays and Depreciation**

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. The estimated useful lives of the assets are as follows:

	<u>Life</u>
Structures and improvements	3 - 50
Utility plant	5 - 50
Other equipment	5 - 10

It is the System's policy to capitalize asset purchases greater than or equal \$1,000 and expense asset purchases less than \$1,000.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 1. Summary of Significant Accounting Policies (continued)

#### **Compensated Absences**

Eligible employees earn vacation and sick pay in varying amounts based upon length of service with the System. Employees may carryforward a maximum of five unused accumulated vacation days and sixty unused accumulated sick days from year to year. Upon termination from the System, employees are paid unused vacation pay. Payment for unused sick leave will only be made when the employment terminates for death or retirement. Accrued compensated absences were \$20,221 for the Water Fund, \$12,368 for the Sewer Fund and \$6,127 for the Sanitation Fund at December 31, 2021. Accrued compensated absences were \$18,479 for the Water Fund, \$8,175 for the Sewer Fund and \$6,059 for the Sanitation Fund at December 31, 2020.

#### **Net Position**

Net position of the System are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The System does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. System personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 1. Summary of Significant Accounting Policies (continued)

#### **Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the System's principal ongoing operations. The principal operating revenues of the System consist of water sales and fees for sewer, sanitation and miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### **New Accounting Pronouncements**

Implementation of the following new Governmental Accounting Standards Board (GASB) accounting pronouncement was delayed by the GASB and was officially implemented by the System during the year ended December 31, 2021:

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements using the economic resources measurement focus. Implementation of this standard did not have any effect on the Department.

### 2. Deposits and Investments

The System does not have a formal deposit and investment policy, but does follow state laws and bond ordinance resolutions.

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.



# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 2. Deposits and Investments (continued)

#### Deposits

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be recovered. At December 31, 2021 and 2020, the System had no deposits that were uninsured. The bank balances and carrying amount of the System's deposits held were as follows:

Description	At December 31, 2021		At December 31, 2020	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Collateralized - held by pledging bank or pledging bank's trust department in the System's name	1,177,818	173,618	818,345	818,344
Cash on hand	-	300	-	300
Total	\$ 1,677,818	\$ 673,918	\$ 1,318,345	\$ 1,318,644

Deposits as reported in the following statement of net position captions:

As Of December 31,	2021	2020
Cash and cash equivalents	\$ 673,905	\$ 314,431
Restricted cash	13	13
Total	\$ 673,918	\$ 314,444

#### Investments

Investments of the System consist primarily of certificates of deposit and a money market account that was used in 2021 for debt repayment. Investments are stated at fair market value, which approximates cost. The System's investments consist of the following:

As of December 31, 2021	Market Value	Maturity	Credit Rating
Certificates of deposit	\$ 1,004,200	2 - 3 years	n/a
As of December 31, 2020	Market Value	Maturity	Credit Rating
Certificates of deposit	\$ 774,080	< 1 year	n/a
Certificates of deposit	230,120	2 - 3 years	n/a
Government money market fund	27,152	< 1 year	AAAm/Aaa-mf
Total	\$ 1,031,352		

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 2. Deposits and Investments (continued)

#### Investments (continued)

Investments as reported in the following Statement of Net Position captions:

As Of December 31,	2021	2020
Certificates of deposit	\$ 720,000	\$ 720,000
Restricted certificates of deposit	284,200	284,200
Restricted investments	-	27,152
Total	\$ 1,004,200	\$ 1,031,352

#### Interest Rate Risk

Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The System limits its investments to a maximum maturity at time of purchase to three years.

#### Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Systems investments are either covered by FDIC insurance, collateralized by pledged securities or issued and guaranteed by the U.S. government.

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the System or by an agent of the System are in the System's name.

The Department's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

The following table represents the System's investments that are measured at fair value on a recurring basis at December 31, 2021:

December 31, 2021	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 1,004,200	\$ -	\$ -	\$ 1,004,200
Total	\$ 1,004,200	\$ -	\$ -	\$ 1,004,200

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 3. Restricted Accounts

Restricted checking and savings accounts, and certificates of deposit at year-end consist of the following:

As Of December 31,	2021	2020
<b>Sewer Fund</b>		
<b>Restricted checking and savings:</b>		
Debt service reserve	\$ 13	\$ 13
<b>Restricted certificates of deposit:</b>		
Depreciation fund	28,600	28,600
Debt service reserve	255,600	255,600
<b>Total</b>	<b>\$ 284,213</b>	<b>\$ 284,213</b>

Restricted investments are reported at fair market value and consist of the following:

As Of December 31,	2021	2020
<b>Sewer Fund</b>		
Debt service reserve	\$ -	\$ 27,152
<b>Total</b>	<b>\$ -</b>	<b>\$ 27,152</b>

### 4. Arkansas Economic Development Commission Grant

On September 25, 2019, the System was awarded an Arkansas Community and Economic Development (AEDC) grant in the amount of \$216,500. The grant funds were used to partially fund the construction of a 170,000 gallon steel water tank which will be used for backwashing filters at the water treatment plant. Grant proceeds received were \$16,069 and \$199,431 during the years ended December 31, 2021 and 2020, respectively, for a final grant amount of \$215,500. Funds allocated to single audit were deobligated in the amount of \$1,000. The project was completed in 2021.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 5. Capital Assets

Activity of capital assets consists of the following:

As of	January 1, 2021	Additions	Retirements/ Transfers	December 31, 2021
<b>Water Fund</b>				
Land	\$ 38,322	\$ -	\$ -	\$ 38,322
Structures and improvements	1,490,189	455,000	1,600	1,943,589
Utility plant	11,106,656	10,297	130,354	10,986,599
Other equipment	224,669	65,765	56,693	233,741
Construction in progress	353,345	101,655	455,000	-
<b>Total Water Fund</b>	<b>13,213,181</b>	<b>632,717</b>	<b>643,647</b>	<b>13,202,251</b>
<b>Sewer Fund</b>				
Land	3,070	-	-	3,070
Utility plant	14,105,699	66,812	161,913	14,010,598
Other equipment	207,304	-	34,504	172,800
Construction in progress	16,517	172,520	-	189,037
<b>Total Sewer Fund</b>	<b>14,332,590</b>	<b>239,332</b>	<b>196,417</b>	<b>14,375,505</b>
<b>Sanitation Fund</b>				
Other equipment	638,848	41,535	-	680,383
<b>Total Sanitation Fund</b>	<b>638,848</b>	<b>41,535</b>	<b>-</b>	<b>680,383</b>
<b>Total All Funds</b>	<b>\$ 28,184,619</b>	<b>\$ 913,584</b>	<b>\$ 840,064</b>	<b>\$ 28,258,139</b>

In 2021, the System completed the Back Wash Tank water project that commenced in 2020. The total cost of the project, which was funded by the City and a grant from AEDC, was \$455,000.

Construction in progress at December 31, 2021 is for the Screw Pump #2 project. This project, which was funded by the City, was substantially complete at year-end and was placed in service in January 2022.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 5. Capital Assets (continued)

As of	January 1, 2020	Additions	Retirements/ Transfers	December 31, 2020
<b>Water Fund</b>				
Land	\$ 38,322	\$ -	\$ -	\$ 38,322
Structures and improvements	589,200	900,989	-	1,490,189
Utility plant	11,026,129	80,527	-	11,106,656
Other equipment	238,532	-	13,863	224,669
Construction in progress	589,548	642,801	879,004	353,345
<b>Total Water Fund</b>	<b>12,481,731</b>	<b>1,624,317</b>	<b>892,867</b>	<b>13,213,181</b>
<b>Sewer Fund</b>				
Land	3,070	-	-	3,070
Utility plant	14,052,431	53,268	-	14,105,699
Other equipment	207,304	-	-	207,304
Construction in progress	-	16,517	-	16,517
<b>Total Sewer Fund</b>	<b>14,262,805</b>	<b>69,785</b>	<b>-</b>	<b>14,332,590</b>
<b>Sanitation Fund</b>				
Other equipment	572,483	168,865	102,500	638,848
<b>Total Sanitation Fund</b>	<b>572,483</b>	<b>168,865</b>	<b>102,500</b>	<b>638,848</b>
<b>Total All Funds</b>	<b>\$ 27,317,019</b>	<b>\$ 1,862,967</b>	<b>\$ 995,367</b>	<b>\$ 28,184,619</b>

In 2020, the System completed the Water Fund improvement project that included improvements to the hospital water tank that commenced in 2019. The total cost of the project, which was funded by the City, was \$879,004.

Construction in progress for the System at December 31, 2020 included \$353,345 for a Back Wash Tank project for the Water Fund and \$16,517 for a Screw Pump #2 project for the Sewer Fund. As noted above, the Back Wash tank project was completed in 2021 and the Screw Pump #2 project was completed in 2022.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 6. Long-Term Debt

Long-term debt of the Sewer Fund consists of:

As of December 31,	2021	2020
USDA Rural Development, issued April 11, 2007, in the original amount of \$5,000,000. The note bears an annual interest rate of 4.125%. Final maturity of the note is July 12, 2026. Payments are made monthly in the amount of \$21,300. The note is secured by system property and revenues.	\$ 1,063,210	\$ 1,513,542
Arkansas Natural Resources Commission, 2006 series revenue bonds issued December 1, 2007, in the amount of \$1,957,000. The note bears an annual interest rate of 4.25%. Payments are made semi-annually in the amount of \$74,315. The note is secured by system property and revenues. The note was paid in full on June 1, 2021.	-	325,661
Total	1,063,210	1,839,203
Less current portion	215,792	345,491
Long-Term Debt	\$ 847,418	\$ 1,493,712

Principal is scheduled to mature as follows:

As of December 31,	Principal	Interest	Total
2022	\$ 215,792	\$ 39,808	\$ 255,600
2023	224,864	30,736	255,600
2024	234,317	21,283	255,600
2025	244,167	11,433	255,600
2026	144,070	1,957	146,027
Total	\$ 1,063,210	\$ 105,217	\$ 1,168,427

The System's outstanding notes from direct borrowings and direct placements contain provisions for loan default including the following: entire outstanding principal and interest become immediately due and payable; using funds pledged for payment, incur and pay reasonable expenses for repair, maintenance or other expenses necessary to cure cause of default; appointing a receiver to administer the Department on behalf of the issuer until all defaults have been cured; enforce any and all other rights and remedies by law.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 7. Due to General Fund

During 2017, the System received funding from the City to in the amount of \$600,000 to upgrade the water meters to a radio meter system. The System will repay the City in six annual payments of \$100,000. The balance owed the General Fund as of December 31, 2021 and 2020 was \$200,000 and \$300,000, respectively.

### 8. Activity of Long-Term Liabilities

Activity of the long-term liabilities consists of the following:

As As of	January 1, 2021	Debt Additions	Debt Retirements	December 31, 2021	Due Within One Year
USDA	\$ 1,513,542	\$ -	\$ 450,332	\$ 1,063,210	\$ 215,792
ANRC	325,661	-	325,661	-	-
Due to General Fund	300,000	-	100,000	200,000	100,000
Total	\$ 2,139,203	\$ -	\$ 875,993	\$ 1,263,210	\$ 315,792

As of	January 1, 2020	Debt Additions	Debt Retirements	December 31, 2020	Due Within One Year
USDA	\$ 1,895,049	\$ -	\$ 381,507	\$ 1,513,542	\$ 196,861
ANRC	643,875	-	318,214	325,661	148,630
Due to General Fund	400,000	-	100,000	300,000	100,000
Total	\$ 2,938,924	\$ -	\$ 799,721	\$ 2,139,203	\$ 445,491

The City made additional principal payments of \$250,000 and \$200,000 on the USDA Rural Development note payable and \$251,346 and \$200,000 on the ANRC 2006 Series Bond note payable during the years ended December 31, 2021 and 2020, respectively. The additional payments plus previous extra payments on the USDA Rural Development note payable creates interest savings of \$2,337,295 over the life of the note, and allows the note to be retired twenty-one years before the original maturity date.

### 9. Concentrations of Credit Risk

Financial instruments that potentially subject the System to credit risk consist primarily of accounts receivable. The receivables are from individuals located within the same geographic region. In addition, the System has one major customer that comprises a significant portion of its revenues. Loss of this customer would negatively impact the System. The percentage of total billings of this customer to System revenues is 62.3% and 55.7% for the years ended December 31, 2021 and 2020, respectively.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

### 10. Transfers

The System makes annual budgeted transfers to the City for their share of administrative costs. Transfers made during the year ended December 31, 2021 and 2020 were as follows:

For the year ended December 31,	2021	2020
Water Fund		
Transfer to City for administrative costs	\$ (100,000)	\$ (100,000)
Sewer Fund		
Transfer to City for administrative costs	(100,000)	(100,000)
Transfer from City for additional debt payments	497,790	200,000
Total	397,790	100,000
Sanitation Fund		
Transfer to City for administrative costs	(50,000)	(50,000)
Total Transfers	\$ 247,790	\$ 225,000

### 11. Employee Benefit Plans

Effective December 1, 2018, the employees of the System are covered under a defined contribution Plan ("the Plan"). The Plan is a defined contribution Plan covering all employees of the City who have completed at least one year of service, been credited with 1,000 hours of service, and are age 21 or older, with semi-annual entry dates. As a condition for participating in employer contributions in this Plan, each eligible employee shall agree to defer at least 5% of his or her compensation under the City of De Queen 457(b) Deferred Compensation Plan. If the eligible employee defers the minimum required contribution, the employer shall pay an amount equal to 10% of each participant's compensation. The employer contribution shall be made only for payroll periods during which the eligible employee is making the required contributions. Employer contributions shall be paid at the close of each payroll period.

The cost to the System for Plan employer contributions for the year ended December 31, 2021 was \$38,420 for the Water Fund, \$20,625 for the Sewer Fund and \$6,788 for the Sanitation Fund.

The cost to the System for Plan employer contributions for the year ended December 31, 2020 was \$30,183 for the Water Fund, \$21,306 for the Sewer Fund and \$11,119 for the Sanitation Fund. These amounts are included in the employee benefits operating expense line item on the Statement of Revenues, Expenses and Changes in Net Position.



# **CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

### **12. Insurance Coverage**

The System is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

There has been no significant reduction in the System's insurance coverage from the previous year. In addition, there have been no settlements in excess of the System's coverage in any of the prior five fiscal years.

### **13. COVID-19**

The Coronavirus Disease 2019 (COVID), declared by the World Health Organization as a pandemic in March 2020, continues to cause worldwide economic disruption and uncertainty. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations everywhere.

The System has remained open throughout the pandemic to continue servicing customers. To provide relief to customers, the System waived late fees and stopped disconnections for non-payment for a set period of time during 2020. The System also incurred additional expenses for personal protective equipment to provide a safe working environment for employees. Fortunately, the pandemic has not had a significant impact on the System financially.

The full extent of the impact on the System's operations and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions, and other factors, all of which are highly uncertain and cannot be predicted. The System continues to monitor its operations, liquidity and capital resources to minimize the impact of this unprecedented situation.

### **14. Subsequent Events**

The System has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2021 through January 6, 2023, the date the financial statements were available to be issued. On March 8, 2022, the System paid, in advance, the entire outstanding principal balance on the USDA Rural Development note payable.

## ***SUPPLEMENTARY INFORMATION***

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## WATER FUND

### COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2021	2020
<b>Operating Revenue</b>		
Water and sewer revenues, net provision for bad debts	\$ 1,583,405	\$ 1,530,368
Other income	20,735	10,758
<b>Total Operating Revenue</b>	<b>1,604,140</b>	<b>1,541,126</b>
<b>Operating Expenses</b>		
Advertising	1,347	193
Auto expense	14,701	14,591
Chemicals	68,712	44,362
Depreciation	337,059	296,255
Employee benefits	103,344	101,884
Insurance	16,298	14,091
Memberships and licenses	15,607	14,771
Office supplies	5,342	4,706
Operating supplies	14,263	13,696
Other operating expenses	149	407
Payroll taxes	30,708	25,779
Professional fees	4,935	10,018
Repairs and maintenance	103,111	83,503
Salaries and wages	408,340	370,970
Travel	6,244	1,603
Uniforms	1,438	2,250
Utilities	182,387	162,451
<b>Total Operating Expenses</b>	<b>1,313,985</b>	<b>1,161,530</b>
<b>Net Income From Operations</b>	<b>290,155</b>	<b>379,596</b>
<b>Other Income (Expenses)</b>		
Interest income	13,538	14,639
Gain/(Loss) on sale of asset	(7,738)	1,189
AEDC grant income	16,069	199,431
<b>Total Net Other Income (Expenses)</b>	<b>21,869</b>	<b>215,259</b>
<b>Net Income Before Transfers</b>	<b>312,024</b>	<b>594,855</b>
<b>Operating Transfers</b>	<b>(100,000)</b>	<b>175,000</b>
<b>Change in Net Position</b>	<b>212,024</b>	<b>769,855</b>
Net Position at Beginning of Year	8,160,255	7,390,400
<b>Net Position at End of Year</b>	<b>\$ 8,372,279</b>	<b>\$ 8,160,255</b>

See independent auditor's report.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## SEWER FUND

### COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2021	2020
<b>Operating Revenue</b>		
Water and sewer revenues, net provision for bad debts	\$ 1,575,376	\$ 1,521,831
Other income	9,074	27,432
<b>Total Operating Revenue</b>	<b>1,584,450</b>	<b>1,549,263</b>
<b>Operating Expenses</b>		
Advertising	465	312
Auto expense	14,941	8,077
Chemicals	116,343	131,294
Depreciation	347,114	348,540
Employee benefits	68,629	69,223
Insurance	15,849	14,422
Memberships and licenses	8,940	8,640
Office supplies	5,281	7,325
Operating supplies	18,839	13,509
Other operating expenses	500	790
Payroll taxes	21,332	18,949
Professional fees	14,210	13,373
Repairs and maintenance	88,217	38,302
Salaries and wages	275,683	275,876
Travel	5,359	446
Uniforms	1,337	1,779
Utilities	171,536	155,563
<b>Total Operating Expenses</b>	<b>1,174,575</b>	<b>1,106,420</b>
<b>Net Income From Operations</b>	<b>409,875</b>	<b>442,843</b>
<b>Other Income (Expenses)</b>		
Interest income	7,794	9,189
(Loss) on sale of asset	(6,626)	-
Interest expense and fees	(64,290)	(101,828)
<b>Total Net Other Income (Expenses)</b>	<b>(63,122)</b>	<b>(92,639)</b>
<b>Net Income Before Transfers</b>	<b>346,753</b>	<b>350,204</b>
<b>Operating Transfers</b>	<b>397,790</b>	<b>100,000</b>
<b>Change in Net Position</b>	<b>744,543</b>	<b>450,204</b>
Net Position at Beginning of Year	6,368,039	5,917,835
<b>Net Position at End of Year</b>	<b>\$ 7,112,582</b>	<b>\$ 6,368,039</b>

See independent auditor's report.

# CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

## SANITATION FUND

### COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2021	2020
<b>Operating Revenue</b>		
Water and sewer revenues, net provision for bad debts	\$ 401,564	\$ 400,052
Other income	6,182	3,128
<b>Total Operating Revenue</b>	<b>407,746</b>	<b>403,180</b>
<b>Operating Expenses</b>		
Advertising	-	101
Auto expense	35,170	25,733
Chemicals	6,705	9,315
Contract labor	2,794	3,751
Depreciation	64,163	71,129
Employee benefits	32,828	43,255
Insurance	2,862	2,805
Memberships and licenses	465	600
Operating supplies	5,373	5,052
Other operating expenses	-	190
Payroll taxes	11,821	10,779
Professional fees	352	921
Repairs and maintenance	1,037	-
Salaries and wages	155,993	149,694
Uniforms	1,402	1,250
<b>Total Operating Expenses</b>	<b>320,965</b>	<b>324,575</b>
<b>Net Income From Operations</b>	<b>86,781</b>	<b>78,605</b>
<b>Other Income (Expenses)</b>		
Interest income	6,328	6,959
Gain on sale of asset	-	9,650
<b>Total Net Other Income (Expenses)</b>	<b>6,328</b>	<b>16,609</b>
<b>Net Income Before Transfers</b>	<b>93,109</b>	<b>95,214</b>
<b>Operating Transfers</b>	<b>(50,000)</b>	<b>(50,000)</b>
<b>Change in Net Position</b>	<b>43,109</b>	<b>45,214</b>
Net Position at Beginning of Year	614,863	569,649
<b>Net Position at End of Year</b>	<b>\$ 657,972</b>	<b>\$ 614,863</b>

See independent auditor's report.

***ADDITIONAL REQUIRED REPORT***



**Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based on An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

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To the City Council of De Queen, Arkansas  
220 N. 2<sup>nd</sup> Street  
De Queen, AR 71832

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Proprietary Funds of the City of De Queen, Arkansas ("the City"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Proprietary Funds of the City of De Queen, Arkansas' financial statements, and have issued our report thereon dated January 6, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Proprietary Funds of the City of De Queen, Arkansas' internal control over financial reporting (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Proprietary Funds of the City of De Queen, Arkansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Proprietary Funds of the City of De Queen, Arkansas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Proprietary Funds of the City of De Queen, Arkansas' financial statement are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Przybysz & Associates, CPAs, P.C.**  
**Fort Smith, Arkansas**  
**January 6, 2023**