

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS
DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Honorable Mayor and City Council of De Queen, Arkansas
Proprietary Funds of the City of De Queen, Arkansas
220 N. 2nd 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Proprietary Funds of the City of De Queen, Arkansas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 July 12, 2024, 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
July 12, 2024

FINANCIAL STATEMENTS

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2022

	Water	Sewer	Sanitation	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 121,514	\$ 574,255	\$ 78,541	\$ 774,310
Certificate of deposits	780,000	28,600	260,000	1,068,600
Accounts receivable, net	172,044	159,844	46,956	378,844
Due (to) / from other funds	32,222	(32,222)	-	-
Inventories	96,767	-	-	96,767
Prepaid expenses	10,196	9,760	1,707	21,663
Interest receivable	1,489	55	458	2,002
Total Current Assets	1,214,232	740,292	387,662	2,342,186
Noncurrent Assets				
Capital Assets				
Land	38,322	3,070	-	41,392
Structures and improvements	1,856,107	-	-	1,856,107
Utility plant	11,066,553	14,356,905	-	25,423,458
Other equipment	221,856	172,800	692,136	1,086,792
Construction in progress	83,025	135,348	-	218,373
Total	13,265,863	14,668,123	692,136	28,626,122
Less accumulated depreciation	(5,907,745)	(7,262,471)	(361,676)	(13,531,892)
Net Capital Assets	7,358,118	7,405,652	330,460	15,094,230
Total Assets	\$ 8,572,350	\$ 8,145,944	\$ 718,122	\$ 17,436,416
Liabilities				
Current Liabilities				
Accounts payable	\$ 20,448	\$ 12,040	\$ 391	\$ 32,879
Sales tax payable	11,859	-	3,505	15,364
Accrued wages	13,218	7,492	3,608	24,318
Accrued compensated absences	19,303	13,337	6,149	38,789
Other accrued liabilities	200	-	-	200
Due to General Fund	100,000	-	-	100,000
Total Liabilities	165,028	32,869	13,653	211,550
Net Position				
Net investment in capital assets	7,358,118	7,405,652	330,460	15,094,230
Unrestricted	1,049,204	707,423	374,009	2,130,636
Total Net Position	8,407,322	8,113,075	704,469	17,224,866
Total Liabilities and Net Position	\$ 8,572,350	\$ 8,145,944	\$ 718,122	\$ 17,436,416

See accompanying notes to financial statements.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2021

	Water	Sewer	Sanitation	Total
Assets				
Current Assets				
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
Total Current Assets	1,121,179	777,910	416,290	2,315,379
Noncurrent Assets				
Capital Assets				
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)
Net Capital Assets	7,507,843	7,463,017	255,712	15,226,572
Total Assets	\$ 8,629,022	\$ 8,240,927	\$ 672,002	\$ 17,541,951
Liabilities				
Current Liabilities				
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
Total Current Liabilities	156,743	280,927	14,030	451,700
Long-term debt	100,000	847,418	-	947,418
Total Liabilities	256,743	1,128,345	14,030	1,399,118
Net Position				
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
Total Net Position	8,372,279	7,112,582	657,972	16,142,833
Total Liabilities and Net Position	\$ 8,629,022	\$ 8,240,927	\$ 672,002	\$ 17,541,951

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, 2022

	Water	Sewer	Sanitation	Total
Operating Revenue				
Water, sewer and sanitation revenues, net of provision for bad debts	\$ 1,549,621	\$ 1,610,413	\$ 409,283	\$ 3,569,317
Other income	350	4,641	1,389	6,380
Total Operating Revenue	1,549,971	1,615,054	410,672	3,575,697
Operating Expenses				
Advertising	887	887	72	1,846
Auto expense	24,067	17,457	45,574	87,098
Chemicals	65,045	143,328	-	208,373
Contract labor	-	-	3,091	3,091
Depreciation	333,529	363,485	69,800	766,814
Employee benefits	106,719	87,353	33,400	227,472
Insurance	19,506	18,725	2,858	41,089
Memberships and licenses	14,816	8,835	555	24,206
Office supplies	5,303	6,436	-	11,739
Operating supplies	11,808	22,242	677	34,727
Other operating expenses	283	216	187	686
Payroll taxes	32,441	21,545	11,281	65,267
Professional fees	4,209	20,529	269	25,007
Repairs and maintenance	151,427	84,168	-	235,595
Salaries and wages	436,720	294,681	149,905	881,306
Travel	2,834	3,087	-	5,921
Uniforms	1,959	1,412	1,219	4,590
Utilities	207,949	189,816	-	397,765
Total Operating Expenses	1,419,502	1,284,202	318,888	3,022,592
Net Income From Operations	130,469	330,852	91,784	553,105
Other Income (Expenses)				
Interest income	12,304	2,227	4,713	19,244
Loss on sale of asset	(7,730)	-	-	(7,730)
Interest expense and fees	-	(7,192)	-	(7,192)
Total Net Other Income (Expenses)	4,574	(4,965)	4,713	4,322
Net Income Before Transfers	135,043	325,887	96,497	557,427
Operating Transfers, net	(100,000)	674,606	(50,000)	524,606
Change in Net Position	35,043	1,000,493	46,497	1,082,033
Net Position at Beginning of Year	8,372,279	7,112,582	657,972	16,142,833
Net Position at End of Year	\$ 8,407,322	\$ 8,113,075	\$ 704,469	\$ 17,224,866

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
Operating Revenue				
Water, sewer and sanitation 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
Total Operating Revenue	1,604,140	1,584,450	407,746	3,596,336
Operating Expenses				
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
Total Operating Expenses	1,313,985	1,174,575	320,965	2,809,525
Net Income From Operations	290,155	409,875	86,781	786,811
Other Income (Expenses)				
Interest income	13,538	7,794	6,328	27,660
Gain 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)
Total Net Other Income (Expenses)	21,869	(63,122)	6,328	(34,925)
Net Income Before Transfers	312,024	346,753	93,109	751,886
Operating Transfers	(100,000)	397,790	(50,000)	247,790
Change in Net Position	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
Net Position at End of Year	\$ 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 CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Water	Sewer	Sanitation	Total
Cash Flows From Operating Activities				
Cash receipts from customers	\$ 1,593,677	\$ 1,715,681	\$ 410,811	\$ 3,720,169
Other receipts	(350)	4,760	1,723	6,133
Cash payments to suppliers for goods and services	(687,110)	(626,206)	(99,669)	(1,412,985)
Cash payments to employees for services	(434,166)	(293,198)	(150,004)	(877,368)
Net Cash Provided By Operating Activities	472,051	801,037	162,861	1,435,949
Cash Flows From Noncapital and Related Financing Activities				
Operating transfers, net	(100,000)	674,606	(50,000)	524,606
Net Cash Provided (Used) By Noncapital and Related Financing Activities	(100,000)	674,606	(50,000)	524,606
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	(191,534)	(306,120)	(144,548)	(642,202)
Repayment of debt	(100,000)	(1,063,210)	-	(1,163,210)
Interest paid on debt	-	(9,595)	-	(9,595)
Net Cash Used For Capital and Related Financing Activities	(291,534)	(1,378,925)	(144,548)	(1,815,007)
Cash Flows From Investing Activities				
Redemption (purchase) of certificate of deposit	(300,000)	255,600	(20,000)	(64,400)
Interest income	12,304	2,227	4,713	19,244
Net Cash Provided (Used) By Investing Activities	(287,696)	257,827	(15,287)	(45,156)
Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash				
	(207,179)	354,545	(46,974)	100,392
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	328,693	219,710	125,515	673,918
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 121,514	\$ 574,255	\$ 78,541	\$ 774,310
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities				
Net income from operations	\$ 130,469	\$ 330,852	\$ 91,784	\$ 553,105
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation	333,529	363,485	69,800	766,814
(Increase) decrease in:				
Accounts receivable	44,759	105,268	1,511	151,538
Due (to) from other funds	(32,222)	32,222	-	-
Inventories	(10,988)	-	-	(10,988)
Prepaid expenses	(1,081)	(1,046)	(191)	(2,318)
Interest receivable	(700)	119	334	(247)
Increase (decrease) in:				
Accounts payable	6,434	(31,346)	(295)	(25,207)
Sales tax payable	(703)	-	17	(686)
Accrued wages	3,472	514	(121)	3,865
Accrued compensated absences	(918)	969	22	73
Net Cash Provided By Operating Activities	\$ 472,051	\$ 801,037	\$ 162,861	\$ 1,435,949

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
Cash Flows From Operating Activities				
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)
Net Cash Provided By Operating Activities	582,277	706,031	153,550	1,441,858
Cash Flows From Noncapital and Related Financing Activities				
Operating transfers	(100,000)	397,790	(50,000)	247,790
Net Cash Provided (Used) By Noncapital and Related Financing Activities	(100,000)	397,790	(50,000)	247,790
Cash Flows From Capital and Related Financing Activities				
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	(100,000)	(775,993)	-	(875,993)
Interest paid on debt	-	(66,478)	-	(66,478)
Net Cash Used For Capital and Related Financing Activities	(261,648)	(1,081,803)	(41,535)	(1,384,986)
Cash Flows From Investing Activities				
Net activity of restricted investments	-	27,152	-	27,152
Interest income	13,538	7,794	6,328	27,660
Net Cash Provided By Investing Activities	13,538	34,946	6,328	54,812
Net Increase In Cash, Cash Equivalents, and Restricted Cash				
	234,167	56,964	68,343	359,474
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	94,526	162,746	57,172	314,444
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 328,693	\$ 219,710	\$ 125,515	\$ 673,918
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	328,693	219,697	125,515	673,905
Restricted cash	-	13	-	13
Total Cash, Cash Equivalents and Restricted Cash	328,693	219,710	125,515	673,918
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities				
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
Net Cash Provided By Operating Activities	\$ 582,277	\$ 706,031	\$ 153,550	\$ 1,441,858

See accompanying notes to financial statements.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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. The System does not charge interest on overdue accounts but does charge a late fee for late payments. 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, 2022, the allowance for doubtful accounts was \$20,278 for the Water Fund, \$14,727 for the Sewer Fund and \$10,055 for the Sanitation Fund. 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.

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 and repairs that do not add to the value or capacity of the asset or materially extend asset lives are expensed as incurred. The estimated useful lives of the assets are as follows:

Structures and improvements	3 - 50 years
Utility plant	5 - 50 years
Other equipment	5 - 10 years

In 2022, the System changed its policy to capitalize asset purchases greater than or equal \$5,000 and expense asset purchases less than \$5,000. In 2021, the threshold was assets in excess of \$1,000.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 \$19,303 for the Water Fund, \$13,337 for the Sewer Fund and \$6,149 for the Sanitation Fund at December 31, 2022. 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.

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, 2022 AND 2021

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

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards applicable to the City:

GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice.

GASB Statement No. 92, *Omnibus 2020*. The purpose of this statement is to enhance comparability in accounting and financial reporting to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain pension and other post employment retirement plans as fiduciary component units in fiduciary fund financial statements ; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

GASB Statement No. 98, *the Annual Comprehensive Financial Report*. The purpose of this statement is to establish the term annual comprehensive financial report and its acronym ACFR to replace the term comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Implementation of these standards did not have an impact on the System's financial statements.

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.

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, 2022 and 2021, the System had no deposits that were uninsured. The bank balances and carrying amount of the System's deposits held were as follows:

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

2. Deposits and Investments (continued)

Description	At December 31, 2022		At December 31, 2021	
	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	274,010	274,010	1,177,818	173,618
Cash on hand	-	300	-	300
Total	\$ 774,010	\$ 774,310	\$ 1,677,818	\$ 673,918

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

As Of December 31,	2022	2021
Cash and cash equivalents	\$ 774,310	\$ 673,905
Restricted cash	-	13
Total	\$ 774,310	\$ 673,918

Investments

The System's investments consist of the following:

As of December 31, 2022	Market Value	Maturity	Credit Rating
Certificates of deposit	\$ 1,068,600	2 - 3 years	n/a

As of December 31, 2021	Market Value	Maturity	Credit Rating
Certificates of deposit	\$ 1,004,200	2 - 3 years	n/a

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

As Of December 31,	2022	2021
Certificates of deposit	\$ 1,068,600	\$ 720,000
Restricted certificates of deposit	-	284,200
Total	\$ 1,068,600	\$ 1,004,200

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

2. Deposits and Investments (continued)

Investments (continued)

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, 2022:

December 31, 2022	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 1,068,600	\$ -	\$ -	1,068,600
Total	\$ 1,068,600	\$ -	\$ -	1,068,600

3. Restricted Accounts

Restricted checking and savings accounts, and certificates of deposit were required by loan covenants. The System paid all remaining debt in 2022, therefore, the accounts are no longer required.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

3. Restricted Accounts (continued)

Restricted accounts consisted of the following:

As Of December 31,	2022	2021
Sewer Fund		
Restricted checking and savings:		
Debt service reserve	\$ -	\$ 13
Restricted certificates of deposit:		
Depreciation fund	-	28,600
Debt service reserve	-	255,600
Total	\$ -	\$ 284,213

4. Capital Assets

Activity of capital assets consists of the following:

As of	January 1, 2022	Additions/ Transfers	Retirements/ Transfers	December 31, 2022
Water Fund				
Land	\$ 38,322	\$ -	\$ -	\$ 38,322
Structures and improvements	1,943,589	-	87,482	1,856,107
Utility plant	10,986,599	102,090	22,136	11,066,553
Other equipment	233,741	6,419	18,304	221,856
Construction in progress	-	83,025	-	83,025
Total	13,202,251	191,534	127,922	13,265,863
Less: accumulated depreciation	(5,694,408)	(333,529)	120,192	(5,907,745)
Net Capital Assets - Water Fund	7,507,843	(141,995)	248,114	7,358,118
Sewer Fund				
Land	3,070	-	-	3,070
Utility plant	14,010,598	359,809	13,502	14,356,905
Other equipment	172,800	-	-	172,800
Construction in progress	189,037	152,529	206,218	135,348
Total	14,375,505	512,338	219,720	14,668,123
Less: accumulated depreciation	(6,912,488)	(363,485)	13,502	(7,262,471)
Net Capital Assets - Sewer Fund	7,463,017	148,853	233,222	7,405,652
Sanitation Fund				
Other equipment	680,383	144,548	132,795	692,136
Less: accumulated depreciation	(424,671)	(69,800)	132,795	(361,676)
Net Capital Assets - Sanitation Fund	255,712	214,348	265,590	330,460
Net Capital Assets - All Funds	\$ 15,226,572	\$ 221,206	\$ 746,926	\$ 15,094,230

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

4. Capital Assets (continued)

As of	January 1, 2021	Additions/ Transfers	Retirements/ Transfers	December 31, 2021
Water Fund				
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	-
Total	13,213,181	632,717	643,647	13,202,251
Less: accumulated depreciation	(5,538,258)	(337,059)	180,909	(5,694,408)
Net Capital Assets - Water Fund	7,674,923	295,658	462,738	7,507,843
Sewer Fund				
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
Total	14,332,590	239,332	196,417	14,375,505
Less: accumulated depreciation	(6,755,165)	(347,114)	189,791	(6,912,488)
Net Capital Assets - Sewer Fund	7,577,425	(107,782)	6,626	7,463,017
Sanitation Fund				
Other equipment	638,848	41,535	-	680,383
Less: accumulated depreciation	(360,508)	(64,163)	-	(424,671)
Net Capital Assets - Sanitation Fund	278,340	(22,628)	-	255,712
Net Capital Assets - All Funds	\$ 15,530,688	\$ 165,248	\$ 469,364	\$ 15,226,572

Construction in progress is for the following projects:

Project	CIP Balance 12/31/2022	CIP Balance 12/31/2021	Total (Estimated) Cost	(Estimated) Completion
Water Fund				
Water Treatment Plant rehab	\$ 53,975	\$ -	\$ 555,764	May 2024
Lime Silo Retro Fit	29,050	-	58,406	November 2023
Total Water Fund	83,025	-	614,170	

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

4. Capital Assets (continued)

Project	CIP Balance 12/31/2022	CIP Balance 12/31/2021	Total (Estimated) Cost	(Estimated) Completion
Sewer Fund				
Waste Water Treatment Plant				
Clarifier rehabilitation	\$ 135,348	\$ -	\$ 319,886	May 2023
#2 Screw Pump	-	189,037	206,218	January 2022
Total Sewer Fund	135,348	189,037	526,104	
Total Construction in Progress	\$ 218,373	\$ 189,037	\$ 1,140,274	

The System funded the above projects with its own finances and did not need to obtain any outside financing or grants.

5. Asset Retirement Obligation

As asset retirement obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Under GASB Statement No. 83, *Certain Asset Retirement Obligations*, the City must recognize an ARO when the liability is both incurred and reasonably estimable. A liability incurred is when the liability is both incurred and reasonably estimable. A liability incurred is based on the existence of external laws, regulations, contracts or court judgements and the occurrence of an internal event that obligates the Department to perform asset retirement activities. The City owns and operates a wastewater treatment plant, and the existence of laws and regulations to decommission the plant falls within the scope of GASB 83.

In 2007, the System invested \$7.3 million to upgrade from lagoon sewage treatment system to a wastewater treatment plant utilizing a cannibal system. The plant is inspected regularly and is in good working condition. The System is not reporting an ARO on the Statement of Net Position because the System does not have an estimate of the cost to close the wastewater treatment plant, and because the facility is relatively new, does not a good estimate of the plant's remaining useful life. An ARO will be recorded if future events warrant a change.

6. Long-Term Debt

The System had a note dated April 11, 2007, with the USDA Rural Development in the amount of \$5,000,000. The note was payable in monthly installments of \$21,300 including interest at 4.125%. The System has been making additional principal payments on the note over the years allowing the note to be paid in full in 2022, which is 24 years prior to the notes original maturity. The balance on the note at December 31, 2021 was \$1,063,210.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

6. Long-Term Debt (continued)

The System had Arkansas Natural Resources Commission, 2006 series revenue bonds issued December 1, 2007 in the amount of \$1,957,000. Payments were made semi-annually in the amount of \$74,315 including interest at 4.25%. The System commenced making additional principal payments on the note in 2018, and made the final principal payment totaling \$325,661 in 2021, which was six years early.

These early principal payments on the loans generated over \$2.4 million of interest expense savings to the System.

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, 2022 and 2021 was \$100,000 and \$200,000, respectively.

8. Activity of Long-Term Liabilities

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

As As of	January 1, 2022	Debt Additions	Debt Retirements	December 31, 2022	Due Within One Year
USDA	\$ 1,063,210	\$ -	\$ 1,063,210	\$ -	\$ -
Due to General Fund	200,000	-	100,000	100,000	100,000
Total	\$ 1,263,210	\$ -	\$ 1,163,210	\$ 100,000	\$ 100,000

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

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 58.0% and 62.3% for the years ended December 31, 2022 and 2021, respectively.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

10. Arkansas Economic Development Commission Grant

The System received grant proceeds totaling \$16,069 during the year ended December 31, 2022 from the Arkansas Community and Economic Development. The proceeds were the final payment of a grant award totaling \$216,500 that was used to fund the construction of a 170,000 gallon steel water tank project that was completed in 2021.

11. Due To/From Other Funds / Transfers

The due to / from balance at December 31, 2022, is for reimbursement of expenses paid. The balance was paid subsequent to year-end.

Receivable Fund	Payable Fund	Amount
Water Fund	Sewer Fund	\$ 32,222
Total		32,222

The System makes annual budgeted transfers to the City for their share of administrative costs. Transfers made during the year ended December 31, 2022 and 2021 were as follows:

During the Year Ended December 31,	2022	2021
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	774,606	497,790
Total	674,606	397,790
Sanitation Fund		
Transfer to City for administrative costs	(50,000)	(50,000)
Total Transfers	\$ 524,606	\$ 247,790

12. Employee Benefit Plans

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.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

12. Employee Benefit Plans (continued)

The cost to the System for Plan employer contributions for the year ended December 31, 2022 was \$40,012 for the Water Fund, \$29,411 for the Sewer Fund and \$12,155 for the Sanitation Fund. 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. amounts are included in the employee benefits operating expense line item on the Statement of Revenues, Expenses and Changes in Net Position.

13. Risk Management

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. The City participates in the Arkansas Municipal League Program (a self-insured public entity risk pool) to minimize the risk of loss.

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.

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, 2022 through July 12, 2024, the date the financial statements were available to be issued. Other than commitments for projects mentioned in Note 4, there were no subsequent events that require recognition or disclosure in the financial statements.

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,	2022	2021
Operating Revenue		
Water revenues, net provision for bad debts	\$ 1,549,621	\$ 1,583,405
Other income	350	20,735
Total Operating Revenue	1,549,971	1,604,140
Operating Expenses		
Advertising	887	1,347
Auto expense	24,067	14,701
Chemicals	65,045	68,712
Depreciation	333,529	337,059
Employee benefits	106,719	103,344
Insurance	19,506	16,298
Memberships and licenses	14,816	15,607
Office supplies	5,303	5,342
Operating supplies	11,808	14,263
Other operating expenses	283	149
Payroll taxes	32,441	30,708
Professional fees	4,209	4,935
Repairs and maintenance	151,427	103,111
Salaries and wages	436,720	408,340
Travel	2,834	6,244
Uniforms	1,959	1,438
Utilities	207,949	182,387
Total Operating Expenses	1,419,502	1,313,985
Net Income From Operations	130,469	290,155
Other Income (Expenses)		
Interest income	12,304	13,538
Gain/(Loss) on sale of asset	(7,730)	(7,738)
AEDC grant income	-	16,069
Total Net Other Income (Expenses)	4,574	21,869
Net Income Before Transfers	135,043	312,024
Operating Transfers	(100,000)	(100,000)
Change in Net Position	35,043	212,024
Net Position at Beginning of Year	8,372,279	8,160,255
Net Position at End of Year	\$ 8,407,322	\$ 8,372,279

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,	2022	2021
Operating Revenue		
Sewer revenues, net provision for bad debts	\$ 1,610,413	\$ 1,575,376
Other income	4,641	9,074
Total Operating Revenue	1,615,054	1,584,450
Operating Expenses		
Advertising	887	465
Auto expense	17,457	14,941
Chemicals	143,328	116,343
Depreciation	363,485	347,114
Employee benefits	87,353	68,629
Insurance	18,725	15,849
Memberships and licenses	8,835	8,940
Office supplies	6,436	5,281
Operating supplies	22,242	18,839
Other operating expenses	216	500
Payroll taxes	21,545	21,332
Professional fees	20,529	14,210
Repairs and maintenance	84,168	88,217
Salaries and wages	294,681	275,683
Travel	3,087	5,359
Uniforms	1,412	1,337
Utilities	189,816	171,536
Total Operating Expenses	1,284,202	1,174,575
Net Income From Operations	330,852	409,875
Other Income (Expenses)		
Interest income	2,227	7,794
(Loss) on sale of asset	-	(6,626)
Interest expense and fees	(7,192)	(64,290)
Total Net Other Income (Expenses)	(4,965)	(63,122)
Net Income Before Transfers	325,887	346,753
Operating Transfers	674,606	397,790
Change in Net Position	1,000,493	744,543
Net Position at Beginning of Year	7,112,582	6,368,039
Net Position at End of Year	\$ 8,113,075	\$ 7,112,582

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,	2022	2021
Operating Revenue		
Sanitation revenues, net provision for bad debts	\$ 409,283	\$ 401,564
Other income	1,389	6,182
Total Operating Revenue	410,672	407,746
Operating Expenses		
Advertising	72	-
Auto expense	45,574	35,170
Chemicals	-	6,705
Contract labor	3,091	2,794
Depreciation	69,800	64,163
Employee benefits	33,400	32,828
Insurance	2,858	2,862
Memberships and licenses	555	465
Operating supplies	677	5,373
Other operating expenses	187	-
Payroll taxes	11,281	11,821
Professional fees	269	352
Repairs and maintenance	-	1,037
Salaries and wages	149,905	155,993
Uniforms	1,219	1,402
Total Operating Expenses	318,888	320,965
Net Income From Operations	91,784	86,781
Other Income (Expenses)		
Interest income	4,713	6,328
Total Net Other Income (Expenses)	4,713	6,328
Net Income Before Transfers	96,497	93,109
Operating Transfers	(50,000)	(50,000)
Change in Net Position	46,497	43,109
Net Position at Beginning of Year	657,972	614,863
Net Position at End of Year	\$ 704,469	\$ 657,972

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*

To the Honorable Mayor and City Council of De Queen, Arkansas
Proprietary Funds of the City of De Queen, Arkansas
220 N. 2nd 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, 2022, 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 July 12, 2024.

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
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