

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022



CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS
DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 November 6, 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
November 6, 2024**

FINANCIAL STATEMENTS

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2023

	Water	Sewer	Sanitation	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 234,132	\$ 294,039	\$ 112,375	\$ 640,546
Certificate of deposits	780,000	28,600	260,000	1,068,600
Accounts receivable, net	94,015	130,544	49,360	273,919
Inventories	136,763	-	-	136,763
Prepaid expenses	11,029	10,137	1,634	22,800
Interest receivable	1,489	55	416	1,960
Total Current Assets	1,257,428	463,375	423,785	2,144,588
Noncurrent Assets				
Capital Assets				
Land	38,322	3,070	-	41,392
Structures and improvements	1,856,107	-	-	1,856,107
Utility plant	11,220,025	14,960,377	-	26,180,402
Other equipment	244,560	172,800	719,791	1,137,151
Construction in progress	85,751	910,851	-	996,602
Total	13,444,765	16,047,098	719,791	30,211,654
Less accumulated depreciation	(6,228,485)	(7,659,960)	(435,195)	(14,323,640)
Net Capital Assets	7,216,280	8,387,138	284,596	15,888,014
Total Assets	\$ 8,473,708	\$ 8,850,513	\$ 708,381	\$ 18,032,602
Liabilities				
Current Liabilities				
Accounts payable	\$ 20,910	\$ 197,618	\$ 910	\$ 219,438
Sales tax payable	10,647	-	3,542	14,189
Accrued wages	11,549	7,981	5,703	25,233
Accrued compensated absences	18,243	18,257	7,307	43,807
Other accrued liabilities	200	-	-	200
Due to Street Fund	-	-	2,630	2,630
Total Liabilities	61,549	223,856	20,092	305,497
Net Position				
Net investment in capital assets	7,216,280	8,387,138	284,596	15,888,014
Unrestricted	1,195,879	239,519	403,693	1,839,091
Total Net Position	8,412,159	8,626,657	688,289	17,727,105
Total Liabilities and Net Position	\$ 8,473,708	\$ 8,850,513	\$ 708,381	\$ 18,032,602

See accompanying notes to 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 REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2023

	Water	Sewer	Sanitation	Total
Operating Revenue				
Water, sewer and sanitation revenues, net of provision for bad debts	\$ 1,498,849	\$ 1,501,764	\$ 413,079	\$ 3,413,692
Other income	2,267	2,063	-	4,330
Total Operating Revenue	1,501,116	1,503,827	413,079	3,418,022
Operating Expenses				
Advertising	801	-	282	1,083
Auto expense	18,205	16,456	38,402	73,063
Chemicals	73,912	164,531	13,585	252,028
Contract labor	-	-	2,552	2,552
Depreciation	343,935	397,489	73,519	814,943
Employee benefits	117,161	91,518	46,787	255,466
Insurance	21,665	20,171	2,886	44,722
Memberships and licenses	15,058	8,975	595	24,628
Office supplies	8,171	7,178	116	15,465
Operating supplies	18,033	18,927	728	37,688
Other operating expenses	177	194	98	469
Payroll taxes	33,737	23,212	13,640	70,589
Professional fees	4,806	20,407	54	25,267
Repairs and maintenance	100,341	71,879	-	172,220
Salaries and wages	464,633	327,328	190,391	982,352
Travel	7,809	4,241	-	12,050
Uniforms	2,921	2,837	2,603	8,361
Utilities	207,259	219,366	-	426,625
Total Operating Expenses	1,438,624	1,394,709	386,238	3,219,571
Net Income From Operations	62,492	109,118	26,841	198,451
Other Income (Expenses)				
Interest income	20,607	7,598	6,979	35,184
Insurance recoveries	20,938	-	-	20,938
Gain on sale of asset	800	-	-	800
Total Net Other Income (Expenses)	42,345	7,598	6,979	56,922
Net Income Before Transfers	104,837	116,716	33,820	255,373
Operating Transfers, net	(100,000)	396,866	(50,000)	246,866
Change in Net Position	4,837	513,582	(16,180)	502,239
Net Position at Beginning of Year	8,407,322	8,113,075	704,469	17,224,866
Net Position at End of Year	\$ 8,412,159	\$ 8,626,657	\$ 688,289	\$ 17,727,105

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	(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 CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Water	Sewer	Sanitation	Total
Cash Flows From Operating Activities				
Cash receipts from customers	\$ 1,575,666	\$ 1,531,064	\$ 410,712	\$ 3,517,442
Other receipts	2,267	2,063	42	4,372
Cash payments to suppliers for goods and services	(638,201)	(516,913)	(119,106)	(1,274,220)
Cash payments to employees for services	(467,362)	(321,919)	(187,138)	(976,419)
Net Cash Provided By Operating Activities	472,370	694,295	104,510	1,271,175
Cash Flows From Noncapital and Related Financing Activities				
Operating transfers, net	(100,000)	396,866	(50,000)	246,866
Net Cash Provided (Used) By Noncapital and Related Financing Activities	(100,000)	396,866	(50,000)	246,866
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	(202,097)	(1,378,975)	(27,655)	(1,608,727)
Proceeds from sale of capital assets	800	-	-	800
Insurance recoveries from capital asset loss	20,938	-	-	20,938
Repayment of debt	(100,000)	-	-	(100,000)
Net Cash Used For Capital and Related Financing Activities	(280,359)	(1,378,975)	(27,655)	(1,686,989)
Cash Flows From Investing Activities				
Interest income	20,607	7,598	6,979	35,184
Net Cash Provided By Investing Activities	20,607	7,598	6,979	35,184
Net Increase (Decrease) In Cash, Cash Equivalents, and Restricted Cash	112,618	(280,216)	33,834	(133,764)
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	121,514	574,255	78,541	774,310
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 234,132	\$ 294,039	\$ 112,375	\$ 640,546
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities				
Net income from operations	\$ 62,492	\$ 109,118	\$ 26,841	\$ 198,451
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation	343,935	397,489	73,519	814,943
(Increase) decrease in:				
Accounts receivable	78,029	29,300	(2,404)	104,925
Due (to) from other funds	32,222	(32,222)	2,630	2,630
Inventories	(39,996)	-	-	(39,996)
Prepaid expenses	(833)	(377)	73	(1,137)
Interest receivable	-	-	42	42
Increase (decrease) in:				
Accounts payable	462	185,578	519	186,559
Sales tax payable	(1,212)	-	37	(1,175)
Accrued wages	(1,669)	489	2,095	915
Accrued compensated absences	(1,060)	4,920	1,158	5,018
Net Cash Provided By Operating Activities	\$ 472,370	\$ 694,295	\$ 104,510	\$ 1,271,175

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	(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, 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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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, 2023 AND 2022

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.

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, 2023, the allowance for doubtful accounts was \$24,273 for the Water Fund, \$17,752 for the Sewer Fund and \$12,218 for the Sanitation Fund. 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.

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

It is the System's policy to capitalize all asset purchases greater than or equal to \$5,000 while expensing all asset purchases under \$5,000.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 \$18,243 for the Water Fund, \$18,257 for the Sewer Fund and \$7,307 for the Sanitation Fund at December 31, 2023. 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.

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, 2023 AND 2022

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. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or exchange-like transaction. The purpose of this statement is to improve financial reporting issues related to PPPs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance and financial reporting for subscription-based technology arrangements (SBITAs). The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments; and (4) requires note disclosures regarding a SBITA.

These statements did not have any 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. 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, 2023 AND 2022

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, 2023 and 2022, 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, 2023		At December 31, 2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Pledged with letter of credit	140,246	140,246	-	-
Collateralized - held by pledging bank or pledging bank's trust department in the System's name	-	-	274,010	274,010
Cash on hand	-	300	-	300
Total	\$ 640,246	\$ 640,546	\$ 774,010	\$ 774,310

Investments

The System's investments consist of the following:

As of December 31, 2023	Market Value	Maturity	Credit Rating
Certificates of deposit	\$ 1,068,600	1 - 2 years	n/a
As of December 31, 2022	Market Value	Maturity	Credit Rating
Certificates of deposit	\$ 1,068,600	2 - 3 years	n/a

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 letters of credit.

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.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

2. Deposits and Investments (continued)

Investments (continued)

Fair Value Measurement

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, 2023:

December 31, 2023	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 1,068,600	\$ -	\$ -	\$ 1,068,600
Total	\$ 1,068,600	\$ -	\$ -	\$ 1,068,600

3. Capital Assets

Activity of capital assets consists of the following:

As of	January 1, 2023	Additions/ Transfers	Retirements/ Transfers	December 31, 2023
Water Fund				
Land	\$ 38,322	\$ -	\$ -	\$ 38,322
Structures and improvements	1,856,107	-	-	1,856,107
Utility plant	11,066,553	153,472	-	11,220,025
Other equipment	221,856	45,899	23,195	244,560
Construction in progress	83,025	61,132	58,406	85,751
Total	13,265,863	260,503	81,601	13,444,765
Less: accumulated depreciation	(5,907,745)	(343,935)	23,195	(6,228,485)
Net Capital Assets - Water Fund	7,358,118	(83,432)	104,796	7,216,280
Sewer Fund				
Land	3,070	-	-	3,070
Utility plant	14,356,905	603,472	-	14,960,377
Other equipment	172,800	-	-	172,800
Construction in progress	135,348	1,124,139	348,636	910,851
Total	14,668,123	1,727,611	348,636	16,047,098
Less: accumulated depreciation	(7,262,471)	(397,489)	-	(7,659,960)
Net Capital Assets - Sewer Fund	7,405,652	1,330,122	348,636	8,387,138

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

3. Capital Assets (continued)

As of	January 1, 2023	Additions/ Transfers	Retirements/ Transfers	December 31, 2023
Sanitation Fund				
Other equipment	692,136	27,655	-	719,791
Less: accumulated depreciation	(361,676)	(73,519)	-	(435,195)
Net Capital Assets - Sanitation Fund	330,460	101,174	-	284,596
Net Capital Assets - All Funds	\$ 15,094,230	\$ 1,347,864	\$ 453,432	\$ 15,888,014

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)	7,730	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	206,218	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	74,748	265,590	330,460
Net Capital Assets - All Funds	\$ 15,226,572	\$ 81,606	\$ 479,538	\$ 15,094,230

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

3. Capital Assets (continued)

Construction in progress is for the following projects:

Project	CIP Balance 12/31/2023	CIP Balance 12/31/2022	Total (Estimated) Cost	(Estimated) Completion
Water Fund				
Water Treatment Plant rehab	\$ 87,751	\$ 53,975	\$ 619,352	June 2024
Lime Silo Retro Fit	-	29,050	58,406	November 2023
Total Water Fund	87,751	83,025	677,758	
Sewer Fund				
Pilgrim's 30" sewer line replacement	910,851	-	1,453,190	April 2024
Waste Water Treatment Plant clarifier rehabilitation	-	135,348	348,636	May 2023
Total Sewer Fund	910,851	135,348	1,801,826	
Total Construction in Progress	\$ 998,602	\$ 218,373	\$ 2,479,584	

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

4. 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 upgrade 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.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

5. 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 made additional principal payments on the note over the years allowing the note to be paid in full in 2022, which was 24 years prior to the notes original maturity.

6. 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 repaid the City in six annual payments of \$100,000. The final payment of \$100,000 was paid during the fiscal year ended December 31, 2023.

7. Activity of Long-Term Liabilities

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

As As of	January 1, 2023	Debt Additions	Debt Retirements	December 31, 2023	Due Within One Year
Due to General Fund	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -
Total	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -

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

8. 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 57.5% and 58.0% for the years ended December 31, 2023 and 2022, respectively.

CITY OF DE QUEEN, ARKANSAS PROPRIETARY FUNDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

9. Due To/From Other Funds / Transfers

The due to / from balances are for reimbursement of expenses paid. The balances were paid subsequent to year-end.

Receivable Fund	Payable Fund	Balance at 12/31/2023	Balance at 12/31/2022
Sanitation Fund	Street Fund	\$ 2,630	\$ -
Water Fund	Sewer Fund	-	32,222
Total		\$ 2,630	\$ -

The System makes annual budgeted transfers to the City for their share of administrative costs. Transfers made during the year ended December 31, 2023 and 2022 were as follows:

During the Year Ended December 31,	2023	2022
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 to assist in Pilgrim's sewer line capital project	496,866	-
Transfer from City for additional debt payments	-	774,606
Total	396,866	674,606
Sanitation Fund		
Transfer to City for administrative costs	(50,000)	(50,000)
Total Transfers	\$ 246,866	\$ 524,606

10. 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, 2023 AND 2022

10. Employee Benefit Plans (continued)

The cost to the System for Plan employer contributions for the year ended December 31, 2023 was \$42,776 for the Water Fund, \$31,880 for the Sewer Fund and \$15,584 for the Sanitation Fund. 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. amounts are included in the employee benefits operating expense line item on the Statement of Revenues, Expenses and Changes in Net Position.

Subsequent to year end, in June 2024, the City passed an ordinance establishing health benefits for retirees. Under the provision, any employee who has retired from the City is eligible to continue to receive health benefits. The retiree must pay both the employer and employee contribution. If the employee has 20 years of service, the employee must pay 25% of the cost and the City will pay the remaining 75%.

11. 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.

12. Subsequent Events

The System has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2023 through November 6, 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,	2023	2022
Operating Revenue		
Water revenues, net provision for bad debts	\$ 1,498,849	\$ 1,549,621
Other income	2,267	350
Total Operating Revenue	1,501,116	1,549,971
Operating Expenses		
Advertising	801	887
Auto expense	18,205	24,067
Chemicals	73,912	65,045
Depreciation	343,935	333,529
Employee benefits	117,161	106,719
Insurance	21,665	19,506
Memberships and licenses	15,058	14,816
Office supplies	8,171	5,303
Operating supplies	18,033	11,808
Other operating expenses	177	283
Payroll taxes	33,737	32,441
Professional fees	4,806	4,209
Repairs and maintenance	100,341	151,427
Salaries and wages	464,633	436,720
Travel	7,809	2,834
Uniforms	2,921	1,959
Utilities	207,259	207,949
Total Operating Expenses	1,438,624	1,419,502
Net Income From Operations	62,492	130,469
Other Income (Expenses)		
Interest income	20,607	12,304
Insurance recoveries	20,938	-
Gain/(Loss) on sale of asset	800	(7,730)
Total Net Other Income (Expenses)	42,345	4,574
Net Income Before Transfers	104,837	135,043
Operating Transfers	(100,000)	(100,000)
Change in Net Position	4,837	35,043
Net Position at Beginning of Year	8,407,322	8,372,279
Net Position at End of Year	\$ 8,412,159	\$ 8,407,322

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,	2023	2022
Operating Revenue		
Sewer revenues, net provision for bad debts	\$ 1,501,764	\$ 1,610,413
Other income	2,063	4,641
Total Operating Revenue	1,503,827	1,615,054
Operating Expenses		
Advertising	-	887
Auto expense	16,456	17,457
Chemicals	164,531	143,328
Depreciation	397,489	363,485
Employee benefits	91,518	87,353
Insurance	20,171	18,725
Memberships and licenses	8,975	8,835
Office supplies	7,178	6,436
Operating supplies	18,927	22,242
Other operating expenses	194	216
Payroll taxes	23,212	21,545
Professional fees	20,407	20,529
Repairs and maintenance	71,879	84,168
Salaries and wages	327,328	294,681
Travel	4,241	3,087
Uniforms	2,837	1,412
Utilities	219,366	189,816
Total Operating Expenses	1,394,709	1,284,202
Net Income From Operations	109,118	330,852
Other Income (Expenses)		
Interest income	7,598	2,227
Interest expense and fees	-	(7,192)
Total Net Other Income (Expenses)	7,598	(4,965)
Net Income Before Transfers	116,716	325,887
Operating Transfers	396,866	674,606
Change in Net Position	513,582	1,000,493
Net Position at Beginning of Year	8,113,075	7,112,582
Net Position at End of Year	\$ 8,626,657	\$ 8,113,075

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,	2023	2022
Operating Revenue		
Sanitation revenues, net provision for bad debts	\$ 413,079	\$ 409,283
Other income	-	1,389
Total Operating Revenue	413,079	410,672
Operating Expenses		
Advertising	282	72
Auto expense	38,402	45,574
Chemicals	13,585	-
Contract labor	2,552	3,091
Depreciation	73,519	69,800
Employee benefits	46,787	33,400
Insurance	2,886	2,858
Memberships and licenses	595	555
Operating supplies	728	677
Other operating expenses	98	187
Payroll taxes	13,640	11,281
Professional fees	54	269
Salaries and wages	190,391	149,905
Uniforms	2,603	1,219
Total Operating Expenses	386,122	318,888
Net Income From Operations	26,957	91,784
Other Income (Expenses)		
Interest income	6,979	4,713
Total Net Other Income (Expenses)	6,979	4,713
Net Income Before Transfers	33,936	96,497
Operating Transfers	(50,000)	(50,000)
Change in Net Position	(16,064)	46,497
Net Position at Beginning of Year	704,469	657,972
Net Position at End of Year	\$ 688,405	\$ 704,469

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, 2023, 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 November 6, 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
November 6, 2024