



*Stephenson & Company, P.C.*  
Certified Public Accountants & Consultants

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November 11, 2022

Independent Auditors' Report

Members of the City Council  
City of West Branch  
Ogemaw County, Michigan

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of West Branch, Ogemaw County, Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the index.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of West Branch, Ogemaw County, Michigan, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City of West Branch 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 opinions.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of West Branch' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditors' 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 auditors' report that includes our opinions. 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 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, we:

- λ 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 City of West Branch's 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of West Branch's ability to continue as a going concern for a reasonable period of time.

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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic 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 statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of West Branch's basic financial statements. The accompanying combining nonmajor fund financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Stephenson & Company, P.C.*

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF NET POSITION  
June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	West Branch DDA
<b>Assets</b>				
Cash and Cash Equivalents	\$ 2,702,174	\$ 1,930,814	\$ 4,632,988	\$ 230,762
Investments	851,558	0	851,558	0
Receivables:				
Accounts, Net	108,375	259,486	367,861	200
Interest	502	0	502	0
Mortgages Receivable	7,079	0	7,079	0
Due from Other Governmental Units	120,306	1,405	121,711	0
Internal Balances	100,788	(100,788)	0	0
Inventory	540,136	0	540,136	0
Noncurrent Assets:				
Mortgages Receivable	86,387	0	86,387	0
Investment in West Branch Area Wastewater Treatment Plant Authority	0	8,520,223	8,520,223	0
Capital Assets Not Being Depreciated	553,790	151,879	705,669	110,013
Capital Assets, Net of Accumulated Depreciation	3,259,538	1,547,946	4,807,484	221,770
Total Assets	8,330,633	12,310,965	20,641,598	562,745
<b>Deferred Outflows of Resources</b>				
Deferred Amounts Related to Pensions	345,682	163,373	509,055	0
<b>Liabilities</b>				
Accounts Payable	101,505	72,391	173,896	27,125
Due to Other Governmental Units	4,418	0	4,418	0
Due to Other Agencies and Individuals	77	0	77	0
Accrued Interest Payable	1,742	15,353	17,095	0
Escrow Deposits Payable	0	4,094	4,094	600
Accrued Liabilities	15,547	2,354	17,901	0
Unearned Revenue	218,932	0	218,932	0
Long-Term Liabilities:				
Due Within One Year	41,033	248,249	289,282	0
Due in More Than One Year	39,543	6,996,406	7,035,949	0
Net Pension Liability	1,649,685	762,291	2,411,976	0
Total Liabilities	2,072,482	8,101,138	10,173,620	27,725
<b>Deferred Inflows of Resources</b>				
Deferred Amounts Related to Pensions	206,536	123,738	330,274	0
<b>Net Position</b>				
Net Investment in Capital Assets	3,732,940	1,088,719	4,821,659	331,783
Restricted For:				
Public Safety	4,442	0	4,442	0
Major Streets	662,059	0	662,059	0
Local Streets	355,906	0	355,906	0
Industrial Park	345,428	0	345,428	0
Housing	340,432	0	340,432	0
Downtown Development	0	0	0	203,237
Permanent Funds:				
Nonexpendable	268,872	0	268,872	0
Unrestricted	687,218	3,160,743	3,847,961	0
Total Net Position	\$ 6,397,297	\$ 4,249,462	\$ 10,646,759	\$ 535,020

The accompanying notes to financial statements are an integral part of this statement.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

Function/Program	Net (Expense) Revenue and Changes in Net Position					Component Unit	
	Primary Government						
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
<b>General Government:</b>							
Legislative and Executive	\$ 119,699	\$ 0	\$ 0	\$ 0	\$ (119,699)	\$ 0	\$ (119,699)
Financial and Tax Administration	204,215	34,318	0	0	(169,897)	0	(169,897)
Other General Government	205,272	52,654	290	29,100	(123,228)	0	(123,228)
<b>Public Safety:</b>							
Police	573,563	15,443	22,321	0	(535,799)	0	(535,799)
Fire	26,561	0	0	0	(26,561)	0	(26,561)
Other Public Safety	8,014	0	0	0	(8,014)	0	(8,014)
<b>Public Works:</b>							
Solid Waste	230,712	3,616	5,270	0	(221,826)	0	(221,826)
Airport	50,031	0	0	0	(50,031)	0	(50,031)
Other Public Works	606,802	0	405,974	5,613	(195,215)	0	(195,215)
Community and Economic Development	27,608	5,968	0	0	(21,640)	0	(21,640)
Recreation and Cultural	108,758	0	0	0	(108,758)	0	(108,758)
Other	1,492	0	0	0	(1,492)	0	(1,492)
Interest and Fees on Long-Term Debt	3,121	0	0	0	(3,121)	0	(3,121)
Special Item - Bad Debt Write-Off	18,876	0	0	0	(18,876)	0	(18,876)
Total Governmental Activities	2,184,724	111,999	433,855	34,713	(1,604,157)	0	(1,604,157)
<b>Business-Type Activities:</b>							
Sewer Services	812,687	1,093,756	0	0	0	281,069	281,069
Water Services	319,981	631,479	0	3,907	0	315,405	315,405
Contribution to Local Units	21,126	0	0	0	0	(21,126)	(21,126)
Total Business-Type Activities	1,153,794	1,725,235	0	3,907	0	575,348	575,348
Total Primary Government	\$ 3,338,518	\$ 1,837,234	\$ 433,855	\$ 38,620	(1,604,157)	575,348	(1,028,809)
<b>Component Unit</b>							
West Branch DDA	\$ 52,238	\$ 0	\$ 0	\$ 0	0	0	\$ (52,238)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Primary Government		Component Unit
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
General Revenue:							
Property Taxes Levied For:							
General Operating					\$ 957,417	\$ 0	\$ 10,658
TIFA					0	0	79,521
Refuse Collection					187,801	0	0
State Revenue Sharing					430,364	0	29,251
Payments from Component Unit/to Primary Government					8,000	0	(8,000)
Interest and Investment Earnings					3,649	14	0
Rent Income					1,160	0	0
Other					46,932	3,672	2,500
Total General Revenue					<u>1,635,323</u>	<u>3,686</u>	<u>113,930</u>
Change in Net Position					31,166	579,034	61,692
Net Position - Beginning (Restated)					<u>6,366,131</u>	<u>3,670,428</u>	<u>473,328</u>
Net Position - Ending					<u>\$ 6,397,297</u>	<u>\$ 4,249,462</u>	<u>\$ 535,020</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of West Branch (City) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of City Operations and Fund Types

The City of West Branch operates under an elected City Council with a City Manager overseeing daily operations. The City provides services to its residents in many areas including fire protection, law enforcement, community enrichment and human services.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the City are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In addition, the primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

1. Discretely Presented Component Unit

The component unit column on the combined financial statements includes the financial data of the City's component unit. It is reported in a separate column to emphasize that it is legally separate from the City.

The West Branch DDA is reported in a separate column to emphasize that it is legally separate from the City. The governing body of this unit is appointed by the City Council. The DDA was established to eliminate the causes of property value deterioration and promote economic growth in the business district of the City of West Branch. Complete financial statements are presented as part of Other Supplementary Information and are not audited separately.

While the following organizations had positive responses to some of the above criteria, each is excluded from the accompanying financial statements for the reasons specified:

- West Branch District Library - The City Council appoints one of the five board members, but the Library is otherwise independently operated and financed.
- Ogemaw County Emergency Medical Services Authority - The City Council appoints one of the five board members, but the EMS Authority Board is otherwise independently operated and financed.

CITY OF WEST BRANCH  
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2022

NOTE 7 - PROPERTY TAXES

Property taxes for the primary government include amounts levied against all real property and tangible personal property located in the City. Properties are assessed as of December 31 and the related property taxes become a lien on June 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the City was \$64,677,396. The 2021 tax rates were 14.5460 mills for operations and 2.9105 mills for garbage collection.

Property taxes for the Downtown Development Authority include amounts levied against all real property and tangible personal property subject to recapture located within the Downtown Development District. Properties are assessed as of December 31 and the related property taxes become a lien on June 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the DDA was \$8,331,489. The 2021 tax rate was 1.9573 mills for DDA operations.

NOTE 8 - OPERATING TRANSFERS

During the year ended June 30, 2022, the following transfers were made:

TRANSFER TO	TRANSFER FROM			Total
	Major Street Fund	Non-major Governmental Funds	Downtown Development Authority Fund	
General Fund	\$ 0	\$ 1,771	\$ 8,000	\$ 9,771
Non-major Governmental Funds	52,354	0	0	52,354
	<u>\$ 52,354</u>	<u>\$ 1,771</u>	<u>\$ 8,000</u>	<u>\$ 62,125</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - RETIREMENT SYSTEM - MERS OPERATED

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

CITY OF WEST BRANCH  
Ogemaw County, Michigan

BALANCE SHEET  
WEST BRANCH DDA - COMPONENT UNIT  
GOVERNMENTAL FUND  
June 30, 2022

	<u>Special Revenue Fund West Branch DDA</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 230,762
Receivables:	
Accounts, Net	<u>200</u>
Total Assets	\$ <u>230,962</u>
<u>Liabilities</u>	
Accounts Payable	\$ 27,125
Escrow Deposits Payable	<u>600</u>
Total Liabilities	<u>27,725</u>
<u>Fund Equity</u>	
Fund Balances:	
Restricted For:	
Downtown Development	<u>203,237</u>
Total Liabilities and Fund Equity	\$ <u>230,962</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

WEST BRANCH DDA - COMPONENT UNIT  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2022

Total Governmental Fund Balances	\$	203,237
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Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported as assets in governmental funds. Capital assets at  
year end consist of:

Capital Asset Cost	\$	438,653	
Accumulated Depreciation		<u>(106,870)</u>	
			<u>331,783</u>

Total Net Position - Governmental Activities	\$	<u><u>535,020</u></u>
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CITY OF WEST BRANCH  
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
WEST BRANCH DDA - COMPONENT UNIT - GOVERNMENTAL FUND  
For the Year Ended June 30, 2022

	Special Revenue Fund <u>West Branch DDA</u>
<u>Revenue</u>	
Property Taxes	\$ 90,179
State Grants and Revenue	29,251
Other Revenue	<u>2,500</u>
Total Revenue	121,930
<u>Expenditures</u>	
Current:	
Community and Economic Development	<u>79,597</u>
Excess of Revenue Over (Under) Expenditures	42,333
<u>Other Financing Sources (Uses)</u>	
Transfers to Primary Government	<u>(8,000)</u>
Net Change in Fund Balance	34,333
Fund Balance - Beginning of Year	<u>168,904</u>
Fund Balance - End of Year	<u>\$ 203,237</u>

CITY OF WEST BRANCH  
Ogemaw County, Michigan

WEST BRANCH DDA - COMPONENT UNIT  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds \$ 34,333

Amounts reported for governmental activities in the statement of  
activities are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense.

Capital Outlay	\$ 41,273	
Depreciation Expense	<u>(13,914)</u>	<u>27,359</u>

Change in Net Position of Governmental Activities \$ 61,692