



Stephenson & Company, P.C.
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November 12, 2021

Independent Auditors' Report

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

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 the City of West Branch, Ogemaw County, Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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 the City of West Branch, Ogemaw County, Michigan, as of June 30, 2021, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension schedules, and budgetary comparison information be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Branch's basic financial statements. The combining nonmajor and West Branch DDA - component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and West Branch DDA - component unit fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and West Branch DDA - component unit fund financial statements 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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	West Branch DDA
<u>Assets</u>				
Cash and Cash Equivalents	\$ 2,421,488	\$ 1,707,946	\$ 4,129,434	\$ 172,990
Investments	852,771	0	852,771	0
Receivables:				
Accounts, Net	122,408	226,373	348,781	0
Interest	502	0	502	0
Mortgages Receivable	7,677	0	7,677	0
Due from Other Governmental Units	104,218	1,405	105,623	0
Internal Balances	92,162	(92,162)	0	0
Prepaid Items	0	0	0	6,320
Inventory	558,988	0	558,988	0
Noncurrent Assets:				
Mortgages Receivable	92,868	0	92,868	0
Investment in West Branch Area Wastewater Treatment Plant Authority	0	8,424,768	8,424,768	0
Capital Assets Not Being Depreciated	547,934	109,044	656,978	118,231
Capital Assets, Net of Accumulated Depreciation	3,253,993	1,437,445	4,691,438	186,193
Total Assets	8,055,009	11,814,819	19,869,828	483,734
<u>Deferred Outflows of Resources</u>				
Deferred Amounts Related to Pensions	502,906	219,063	721,969	0
<u>Liabilities</u>				
Accounts Payable	57,358	12,845	70,203	9,806
Due to Other Governmental Units	3,777	8,000	11,777	0
Due to Other Agencies and Individuals	77	0	77	0
Accrued Interest Payable	2,627	15,690	18,317	0
Escrow Deposits Payable	0	4,353	4,353	600
Accrued Liabilities	48,600	12,501	61,101	0
Unearned Revenue	3,500	0	3,500	0
Long-Term Liabilities:				
Due Within One Year	41,047	241,158	282,205	0
Due in More Than One Year	80,388	7,151,754	7,232,142	0
Net Pension Liability	1,870,069	833,868	2,703,937	0
Total Liabilities	2,107,443	8,280,169	10,387,612	10,406
<u>Deferred Inflows of Resources</u>				
Deferred Amounts Related to Pensions	45,726	83,285	129,011	0
<u>Net Position</u>				
Net Investment in Capital Assets	3,680,694	860,125	4,540,819	304,424
Restricted For:				
Public Safety	4,442	0	4,442	0
Major Streets	653,744	0	653,744	0
Local Streets	324,970	0	324,970	0
Industrial Park	351,893	0	351,893	0
Housing	359,183	0	359,183	0
Downtown Development	0	0	0	168,904
Permanent Funds:				
Nonexpendable	268,438	0	268,438	0
Unrestricted	761,382	2,810,303	3,571,685	0
Total Net Position	\$ 6,404,746	\$ 3,670,428	\$ 10,075,174	\$ 473,328

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, 2021

Function/Program	Net (Expense) Revenue and Changes in Net Position					Component Unit	
						Primary Government	West Branch DDA
Expenses	Program Revenues			Capital Grants and Contributions		Governmental Activities	Business-Type Activities
	Charges for Services	Operating Grants and Contributions					
							Total
Primary Government							
Governmental Activities:							
General Government:							
Legislative and Executive	\$ 93,366	\$ 0	\$ 0	\$ 0	\$ (93,366)	0	\$ (93,366)
Financial and Tax Administration	196,281	33,419	0	0	(162,862)	0	(162,862)
Other General Government	231,233	54,259	4,511	0	(172,463)	0	(172,463)
Public Safety:							
Police	481,623	5,478	2,132	0	(474,013)	0	(474,013)
Fire	25,689	0	0	0	(25,689)	0	(25,689)
Other Public Safety	7,696	0	43,887	0	36,191	0	36,191
Public Works:							
Solid Waste	229,523	6,380	0	0	(223,143)	0	(223,143)
Airport	48,923	0	0	0	(48,923)	0	(48,923)
Other Public Works	434,017	500	373,032	0	(60,485)	0	(60,485)
Community and Economic Development	39,741	9,260	0	0	(30,481)	0	(30,481)
Recreation and Cultural	86,074	0	0	0	(86,074)	0	(86,074)
Other	959	0	0	0	(959)	0	(959)
Interest and Fees on Long-Term Debt	6,025	0	0	0	(6,025)	0	(6,025)
Total Governmental Activities	1,881,150	109,296	423,562	0	(1,348,292)	0	(1,348,292)
Business-Type Activities:							
Sewer Services	760,344	989,526	0	0	229,182	229,182	229,182
Water Services	322,746	611,372	0	0	288,626	288,626	288,626
Contribution to Local Units	20,196	0	0	0	(20,196)	(20,196)	(20,196)
Total Business-Type Activities	1,103,286	1,600,898	0	0	497,612	497,612	497,612
Total Primary Government	\$ 2,984,436	\$ 1,710,194	\$ 423,562	\$ 0	(1,348,292)	497,612	(850,680)
Component Unit							
West Branch DDA	\$ 37,660	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (37,660)

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, 2021

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities		Business-Type Activities
General Revenue:							
Property Taxes Levied For:							
General Operating				\$ 903,482	\$ 0	\$ 0	\$ 11,499
TIFA				0	0	0	69,192
Refuse Collection				179,028	0	0	0
State Revenue Sharing				371,814	0	0	19,445
Payments from Component Unit/to Primary Government				7,500	0	7,500	(7,500)
Interest and Investment Earnings				8,598	411	9,009	43
Rent Income				1,600	0	1,600	0
Gain (Loss) on Disposal of Capital Assets				4,454	0	4,454	0
Other				43,548	7,369	50,917	0
Special Item - Insurance Proceeds				31,404	0	31,404	1,350
Total General Revenue				<u>1,551,428</u>	<u>7,780</u>	<u>1,559,208</u>	<u>94,029</u>
Change in Net Position				203,136	505,392	708,528	56,369
Net Position - Beginning				<u>6,201,610</u>	<u>3,165,036</u>	<u>9,366,646</u>	<u>416,959</u>
Net Position - Ending				<u>\$ 6,404,746</u>	<u>\$ 3,670,428</u>	<u>\$ 10,075,174</u>	<u>\$ 473,328</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, 2021

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, 2021

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 \$64,960,138. The 2020 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 \$7,650,057. The 2020 tax rate was 1.9573 mills for DDA operations.

NOTE 8 - OPERATING TRANSFERS

During the year ended June 30, 2021, the following transfers were made:

<u>TRANSFER TO</u>	<u>TRANSFER FROM</u>		
	<u>Major Street Fund</u>	<u>Downtown Development Authority Fund</u>	<u>Total</u>
General Fund	\$ 0	\$ 7,500	\$ 7,500
Non-major Governmental Funds	<u>54,787</u>	<u>0</u>	<u>54,787</u>
	<u>\$ 54,787</u>	<u>\$ 7,500</u>	<u>\$ 62,287</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.

CITY OF WEST BRANCH
Ogemaw County, Michigan

BALANCE SHEET
WEST BRANCH DDA - COMPONENT UNIT
GOVERNMENTAL FUND
June 30, 2021

	Special Revenue Fund <u>West Branch DDA</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 172,990
Prepaid Items	<u>6,320</u>
Total Assets	<u>\$ 179,310</u>
<u>Liabilities</u>	
Accounts Payable	\$ 9,806
Escrow Deposits Payable	<u>600</u>
Total Liabilities	<u>10,406</u>
<u>Fund Equity</u>	
Fund Balances:	
Nonspendable:	
Prepaid Expenses	6,320
Restricted For:	
Downtown Development	<u>162,584</u>
Total Fund Equity	<u>168,904</u>
Total Liabilities and Fund Equity	<u>\$ 179,310</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, 2021

Total Governmental Fund Balances \$ 168,904

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	\$ 397,380	
Accumulated Depreciation	<u>(92,956)</u>	<u>304,424</u>

Total Net Position - Governmental Activities \$ 473,328

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, 2021

	Special Revenue Fund <u>West Branch DDA</u>
<u>Revenue</u>	
Property Taxes	\$ 80,691
State Grants and Revenue	19,445
Interest and Rentals	43
Other Revenue	<u>1,350</u>
Total Revenue	101,529
<u>Expenditures</u>	
Current:	
Community and Economic Development	<u>31,933</u>
Excess of Revenue Over (Under) Expenditures	69,596
<u>Other Financing Sources (Uses)</u>	
Transfers to Primary Government	<u>(7,500)</u>
Net Change in Fund Balance	62,096
Fund Balance - Beginning of Year	<u>106,808</u>
Fund Balance - End of Year	<u>\$ 168,904</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, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 62,096

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

\$ 8,218

Depreciation Expense

(13,945)

(5,727)

Change in Net Position of Governmental Activities

\$ 56,369