



Stephenson & Company, P.C.
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December 8, 2023

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, 2023, 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, 2023, 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's 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.

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In performing an audit in accordance with generally accepted 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 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 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. 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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	West Branch DDA
Assets				
Cash and Cash Equivalents	\$ 2,941,979	\$ 2,300,522	\$ 5,242,501	\$ 309,413
Investments	851,000	0	851,000	0
Receivables:				
Accounts, Net	104,385	205,007	309,392	0
Interest	12,347	0	12,347	0
Mortgages Receivable	5,300	0	5,300	0
Due from State	0	15,000	15,000	0
Due from Other Governmental Units	176,760	3,990	180,750	0
Internal Balances	114,531	(114,531)	0	0
Inventory	575,812	0	575,812	0
Noncurrent Assets:				
Mortgages Receivable	81,951	0	81,951	0
Investment in West Branch Area Wastewater Treatment Plant Authority	0	8,328,952	8,328,952	0
Capital Assets Not Being Depreciated	583,087	2,184,322	2,767,409	136,443
Capital Assets, Net of Accumulated Depreciation	3,275,235	1,446,415	4,721,650	205,588
Total Assets	8,722,387	14,369,677	23,092,064	651,444
Deferred Outflows of Resources				
Deferred Amounts Related to Pensions	558,361	217,929	776,290	0
Liabilities				
Accounts Payable	171,074	43,861	214,935	11,934
Due to Other Agencies and Individuals	226	0	226	0
Accrued Interest Payable	857	18,448	19,305	0
Escrow Deposits Payable	0	3,835	3,835	800
Accrued Liabilities	15,370	4,418	19,788	0
Unearned Revenue	218,932	0	218,932	0
Long-Term Liabilities:				
Due Within One Year	39,700	366,576	406,276	0
Due in More Than One Year	0	7,701,795	7,701,795	0
Net Pension Liability	2,274,592	993,007	3,267,599	0
Total Liabilities	2,720,751	9,131,940	11,852,691	12,734
Net Position				
Net Investment in Capital Assets	3,818,779	1,837,664	5,656,443	342,031
Restricted For:				
Public Safety	4,442	0	4,442	0
Major Streets	729,000	0	729,000	0
Local Streets	463,837	0	463,837	0
Industrial Park	343,426	0	343,426	0
Housing	348,084	0	348,084	0
Marijuana Enforcement	4,500	0	4,500	0
Downtown Development	0	0	0	296,679
Permanent Funds:				
Nonexpendable	277,225	0	277,225	0
Unrestricted	570,704	3,618,002	4,188,706	0
Total Net Position	\$ 6,559,997	\$ 5,455,666	\$ 12,015,663	\$ 638,710

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, 2023

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		Total		
					Governmental Activities	Business-Type Activities			
Primary Government									
Governmental Activities:									
General Government:									
Legislative and Executive	\$ 128,375	\$ 0	\$ 0	\$ 0	\$ (128,375)	\$ 0	\$ (128,375)		
Financial and Tax Administrative	226,129	33,346	0	0	(192,783)	0	(192,783)		
Other General Government	201,726	55,076	1,269	0	(145,381)	0	(145,381)		
Public Safety:									
Police	759,032	96,517	14,439	0	(648,076)	0	(648,076)		
Fire	27,529	0	0	0	(27,529)	0	(27,529)		
Other Public Safety	8,078	0	38,975	0	30,897	0	30,897		
Public Works:									
Solid Waste	181,864	0	0	0	(181,864)	0	(181,864)		
Airport	52,610	0	0	0	(52,610)	0	(52,610)		
Other Public Works	672,807	0	457,524	0	39,290	0	39,290		
Community and Economic Development	27,989	6,574	0	254,573	(21,415)	0	(21,415)		
Recreation and Cultural	81,792	0	0	0	(81,792)	0	(81,792)		
Interest and Fees on Long-Term Debt	1,771	0	0	0	(1,771)	0	(1,771)		
Total Governmental Activities	2,369,702	191,513	512,207	254,573	(1,411,409)	0	(1,411,409)		
Business-Type Activities:									
Sewer Services	857,982	1,074,145	0	0	0	216,163	216,163		
Water Services	431,239	600,192	0	795,743	0	964,696	964,696		
Contribution to Local Units	20,479	0	0	0	0	(20,479)	(20,479)		
Total Business-Type Activities	1,309,700	1,674,337	0	795,743	0	1,160,380	1,160,380		
Total Primary Government	\$ 3,679,402	\$ 1,865,850	\$ 512,207	\$ 1,050,316	\$ (1,411,409)	\$ 1,160,380	\$ (251,029)		
Component Unit									
West Branch DDA	\$ 30,330	\$ 0	\$ 0	\$ 0	\$ 0		\$ (30,330)		

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, 2023

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government			
			Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	West Branch DDA	
General Revenue and Transfers:								
Property Taxes Levied For:								
General Operating								
TIFA								
Refuse Collection								
State Revenue Sharing								
Payments from Component Unit to Primary Government								
Interest and Investment Earnings								
Rent Income								
Other								
Transfers								
Total General Revenue and Transfers								
Change in Net Position								
Net Position - Beginning								
Net Position - Ending								

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, 2023

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, 2023

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Other Debt:

Contracts Payable

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2024	\$ 0	\$ 0	\$ 172,016	\$ 156,883	\$ 328,899
2025	0	0	176,647	152,582	329,229
2026	0	0	181,278	148,165	329,443
2027	0	0	185,910	143,634	329,544
2028	0	0	190,541	138,986	329,527
2029 - 2033	0	0	1,030,773	620,913	1,651,686
2034 - 2038	0	0	1,173,016	485,120	1,658,136
2039 - 2043	0	0	1,335,109	330,619	1,665,728
2044 - 2048	0	0	1,519,695	154,750	1,674,445
2049	0	0	310,313	7,757	318,070
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,275,298</u>	<u>\$ 2,339,409</u>	<u>\$ 8,614,707</u>

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 \$64,310,360. The 2022 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 \$8,130,499. The 2022 tax rate was 1.9439 mills for DDA operations.

NOTE 8 - OPERATING TRANSFERS

During the year ended June 30, 2023, the following transfers were made:

TRANSFER TO	TRANSFER FROM			Total
	General Fund	Major Street Fund	Downtown Development Authority Fund	
General Fund	\$ 0	\$ 0	\$ 8,600	\$ 8,600
Non-major Governmental Funds	0	65,106	0	65,106
Water Fund	43,049	0	0	43,049
	<u>\$ 43,049</u>	<u>\$ 65,106</u>	<u>\$ 8,600</u>	<u>\$ 116,755</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.

CITY OF WEST BRANCH
Ogemaw County, Michigan

BALANCE SHEET
WEST BRANCH DDA - COMPONENT UNIT
GOVERNMENTAL FUND
June 30, 2023

	<u>Special Revenue Fund West Branch DDA</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ <u>309,413</u>
<u>Liabilities</u>	
Accounts Payable	\$ 11,934
Escrow Deposits Payable	<u>800</u>
Total Liabilities	12,734
<u>Fund Equity</u>	
Fund Balances:	
Restricted For:	
Downtown Development	<u>296,679</u>
Total Liabilities and Fund Equity	\$ <u>309,413</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, 2023

Total Governmental Fund Balances	\$	296,679
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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	\$	465,083	
Accumulated Depreciation		<u>(123,052)</u>	
			<u>342,031</u>

Total Net Position - Governmental Activities	\$	<u><u>638,710</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, 2023

	Special Revenue Fund <u>West Branch DDA</u>
<u>Revenue</u>	
Property Taxes	\$ 88,225
State Grants and Revenue	43,935
Other Revenue	<u>10,460</u>
Total Revenue	142,620
 <u>Expenditures</u>	
Current:	
Community and Economic Development	<u>40,578</u>
Excess of Revenue Over (Under) Expenditures	102,042
 <u>Other Financing Sources (Uses)</u>	
Transfers to Primary Government	<u>(8,600)</u>
Net Change in Fund Balance	93,442
Fund Balance - Beginning of Year	<u>203,237</u>
Fund Balance - End of Year	<u>\$ 296,679</u>

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, 2023

Total Net Change in Fund Balances - Governmental Funds		\$	93,442
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		\$	26,430
Depreciation Expense			<u>(16,182)</u>
			<u>10,248</u>
Change in Net Position of Governmental Activities		\$	<u><u>103,690</u></u>