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TOWNSHIP OF WEST BRANCH
OGEMAW COUNTY, MICHIGAN

AUDITOR'S REPORT
YEAR ENDED MARCH 31, 2023

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AUDITOR'S REPORT

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June 09, 2023

Independent Auditor's Report

Members of the Township Board
Township of West Branch
Ogemaw County, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of West Branch, Ogemaw County, Michigan, as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Township'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 aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the Township of West Branch, Ogemaw County, Michigan, as of March 31, 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 the Township of West Branch, Ogemaw County, Michigan, 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 the Township of West Branch, Ogemaw County, Michigan'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 auditor's 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 the Township of West Branch, Ogemaw County, Michigan'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 the Township of West Branch, Ogemaw County, Michigan'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 and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the Township of West Branch's basic financial statements. The combining nonmajor and Downtown Development Authority - 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 were 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 Downtown Development Authority - 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.



West Branch Township

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Township of West Branch's (the Township) financial performance provides an overview of the Township's financial activities for the year ended March 31, 2023. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. The discussion focuses on the Township's primary government.

Financial Highlights

- The Township's assets exceeded its liabilities by \$6,369,943.
- The Township's total net position increased by \$174,281. This increase is higher than the prior year increase of \$73,083, mainly due to the increased ARPA funding being recognized in the current fiscal year along with decreased road construction expenses.
- The Township's governmental funds reported a combined ending fund balance of \$1,781,694 this year, a increase of \$136,785. Of this amount, \$1,450,568 is available for spending (*unassigned fund balance*) on behalf of its citizens. The Township's General Fund 2022/2023 fiscal year end *fund balance* is \$1,531,184.
- The Township's business-type funds reported a combined ending fund balance of \$4,402,214 this year, an increase of \$21,803. Of this amount, \$2,126,132 is available for spending (*unrestricted fund balance*) on behalf of its citizens.

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Township as a financial whole or as an entire operating entity. The statements also provide a detailed look at specific financial conditions.

The Township's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net position* and the *statement of activities* display information about the Township as a whole. These statements include the financial activities of the primary government except for its fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for services.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

With this report, capital assets and infrastructure are listed for the Township of West Branch. These assets are comprised of buildings and improvements, land improvements, machinery and equipment, infrastructure, software, and land owned by the Township. These assets total over \$5.8 million.

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: *Governmental, Proprietary and Fiduciary.*

Governmental Funds:

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Township's major governmental funds:

- General Fund – This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state revenue.
- Gypsy Moth Fund – This fund accounts for all property tax revenues levied to extinguish the gypsy moth population, as well as any related expenditures.

The General Fund fund balance increased \$124,932 from the prior year. Public works expenses decreased \$47,862 due to less road construction expenditures in the current year.

The Gypsy Moth Fund fund balance decreased by \$93,035. Gypsy moth treatment costs exceeded the revenue received from property tax collections in the current year.

The Other Governmental Funds fund balance increased by \$104,888. This increase was primarily driven by two funds, the Road Construction Fund and the ARPA Fund. The Road Construction Fund took in financial resources in the current year but did not incur any expenditures, and the ARPA funding recognized more revenue in the current year, with the offsetting cost being included in the balance sheet, as prepaid items and inventory.

Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township’s enterprise funds may be used to account for any activity for which a fee is charged to external users (citizens) for goods and services. The following are the Township’s major enterprise funds:

- Water and Sanitary Sewer Fund – This fund is used to record transactions relative to the operation of the water and sewer use for the Township of West Branch.
- Water #2 Fund – This fund is used to record transactions relative to the operation of the water use for the I-75 project from Cook Road to M-55 and future service connections.

The Water and Sanitary Sewer Fund fund balance decreased \$15,064. Activities in the fund were generally consistent with the prior year.

The Water #2 Fund fund balance increased \$36,867. Activities in the fund were generally consistent with the prior year.

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The Township’s agency fund accounts for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for taxes collected and distributed to other political subdivisions.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Township *government-wide* and *fund* financial statements. The notes to financial statements are presented following the Basic Financial Statements, and provide an expansive and thorough view of various aspects of the audited financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents individual fund statements.

Government-Wide Financial Analysis

Summary of Net Position :

The following summarizes the net position of the Township of West Branch at March 31, 2023 and 2022:

Net Position Summary

	<u>Government al</u> <u>Activities</u>	<u>Business -Type</u> <u>Activities</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Current Assets	\$ 1,879,681	\$ 1,482,611	\$ 3,362,292	\$ 3,218,529
Other Noncurrent Assets	0	3,105,086	3,105,086	3,151,713
Capital Assets Not Being Depreciated	43,536	26,700	70,236	70,236
Capital Assets – Net of Accum. Depreciation	<u>142,499</u>	<u>2,249,382</u>	<u>2,391,881</u>	<u>2,525,845</u>
Total Assets	<u>2,065,716</u>	<u>6,863,779</u>	<u>8,929,495</u>	<u>8,966,323</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Current Liabilities	\$ 97,987	\$ 56,271	\$ 154,258	\$ 225,839
Long-Term Liabilities	<u>0</u>	<u>2,405,294</u>	<u>2,405,294</u>	<u>2,524,822</u>
Total Liabilities	<u>97,987</u>	<u>2,461,565</u>	<u>2,559,552</u>	<u>2,770,661</u>
Net Position (Restated)				
Net Investment in				
Capital Assets	186,035	2,276,082	2,462,117	2,596,081
Restricted	50,860	0	50,860	82,051
Unrestricted	<u>1,730,834</u>	<u>2,126,132</u>	<u>3,856,966</u>	<u>3,517,530</u>
Total Net Position (Restated)	<u>\$ 1,967,729</u>	<u>\$ 4,402,214</u>	<u>\$ 6,369,943</u>	<u>\$ 6,195,662</u>

Summary of Changes in Net Position :

Generally speaking, the Township's net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for acquisition, construction, or improvement of those assets. The Township of West Branch, through its governing body, i.e., Township Board, has taken a sensible approach vis-à-vis capital asset acquisition and amortization of the incurred debt. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws/regulations of other governments.

Following is an analysis of the changes in net position for fiscal year 2023 with comparative totals for 2022.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 114,103	\$ 406,142	\$ 520,245	\$ 512,818
Capital Grants and Contributions	<u>134,428</u>	<u>0</u>	<u>134,428</u>	<u>47,804</u>
Total Program Revenues	<u>248,531</u>	<u>406,142</u>	<u>654,673</u>	<u>560,622</u>
General Revenues:				
Property Taxes	235,413	0	235,413	229,897
State Revenue Sharing	281,761	0	281,761	269,906
Interest and Investment Earnings	29,309	4,622	33,931	4,591
Rent Income	351	19,850	20,201	20,235
Gain (Loss) on Disposal of Assets	(2,393)	0	(2,393)	(4,000)
Other	6,421	4,617	11,038	14,764
Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenues	<u>550,862</u>	<u>29,089</u>	<u>579,951</u>	<u>535,393</u>
Total Revenues	<u>799,393</u>	<u>435,231</u>	<u>1,234,624</u>	<u>1,096,015</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>March 31, 2023</u>	<u>March 31, 2022</u>
Program Expenses:				
General Government	\$ 207,707	\$ 0	\$ 207,707	\$ 192,807
Public Safety	57,575	0	57,575	59,083
Public Works	130,025	0	130,025	119,850
Health and Welfare	223,290	0	223,290	191,568
Community and Economic Development	28,266	0	28,266	9,839
Interest and Fees on Long-Term Debt	52	0	52	283
Water and Sanitary Sewer Services	0	333,241	333,241	350,780
Water #2 Services	0	80,187	80,187	78,241
Total Program Expenses	<u>646,915</u>	<u>413,428</u>	<u>1,060,343</u>	<u>1,002,451</u>
Change in Net Position	152,478	21,803	174,281	93,564
Beginning Net Position (Restated)	<u>\$ 1,815,251</u>	<u>\$ 4,380,411</u>	<u>\$ 6,195,662</u>	<u>\$ 6,102,098</u>
Ending Net Position (Restated)	<u>\$ 1,967,729</u>	<u>\$ 4,402,214</u>	<u>\$ 6,369,943</u>	<u>\$ 6,195,662</u>

Governmental Activities

The *Statement of Activities* illustrates, by department, the expense incurred and revenue received.

Total governmental activities reveal revenues of \$248,531 from *Charges for Services* and *Capital Grants and Contributions*. The *Charges for Services* are charges for various permits and property tax collection fees. While revenue collected is substantial, operating expenses totaled \$646,915 for these same activities. The largest expenses were incurred by Health and Welfare (\$223,290), General Government offices (\$207,707), and Public Works (\$130,025).

Business-Type Activities

The Township of West Branch's Business-Type Activities include the Water and Sanitary Sewer Fund and Water #2 Funds. These funds are supported primarily from user fees for water and sewer services.

Financial Analysis of Township Funds

As noted earlier in this report, the Township uses fund accounting to ensure and demonstrate compliance with finance-related statutory and legal requirements. A thorough review and examination of fund types will reveal the strengths and weaknesses of its daily operations.

Governmental Funds

This year's Township audit shows 7 governmental funds. These funds are maintained by the Township Treasurer as separate units in the General Ledger.

Enterprise Funds

The Township's enterprise funds provide the same type of information found in the government-wide financial statements. Commonly, the Water and Sanitary Sewer and the Water #2 activities comprise these funds. GASB 34 places such funds under the caption of Proprietary Funds under the appropriate statements, i.e., "Statement of Net Position", "Statement of Cash Flows", etc.

Budgetary Highlights

The Township's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended March 31, 2023, the Township Board amended the budget to take into account events occurring during the year. These budget amendments fall into two categories:

- Changes made to reflect increases or decreases in anticipated expenditures
- Changes made to reflect increases or decreases in anticipated revenues

General Fund

The General Fund actual revenue was \$531,649. That amount is above both the original and final amended budget estimates of \$436,370, primarily due to receiving more state revenue sharing than anticipated.

The actual expenditures of the General Fund were \$378,538, which is below both the original and final budget estimates of \$456,692 and \$499,972, respectively. The Township amended the budget in many areas, most significantly an increase in expected legislative expenditures. The variance between the final budget and actual expenditures was due primarily to decreased costs for public works (road construction and maintenance), as well as spending less on general government functions than anticipated.

The General Fund had total revenues of \$531,649, total expenditures of \$378,538, and total other financing uses of \$28,179, with an ending fund balance of \$1,531,184.

Capital Assets

Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at *historical cost* or *estimated historical cost* if purchased or constructed. Donated capital assets are recorded at estimated FMV (fair market value) at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital Assets – Governmental Activities beginning balance was \$247,742 and ending balance was \$258,092. Governmental Activities Total Capital Assets – Net of Depreciation ending balance was \$186,035. Capital additions consisted of improvements to the land of the cemetery through fencing at a cost of \$14,750. Capital asset disposals in the year ended March 31, 2023, consisted only of roof improvements at a loss of \$2,393. These improvements were mistakenly not disposed of in 2008 when the improved roof was replaced.

Capital Assets – Business-Type Activities beginning and ending balance was \$5,570,844. Business-Type Activities Total Capital Assets – Net of Depreciation ending balance was \$2,276,082. There were no capital asset additions or disposals in the current fiscal year.

An expanded and detailed presentation of capital assets may be seen in Note 5 of the audit, notes to financial statements.

Long-Term Debt

The Long-Term debt of the Township, as noted on the financial statements contained herein, is comprised of debt related to direct business transactions by the Township Board or business trade activity on the part of the local unit of government.

In the fiscal year ended March 31, 2011, the Township entered into a contract payable with the West Branch Area Wastewater Treatment Plant Authority for the construction and operation of a sewage treatment facility. Due to decreased water usage at the Township, in conjunction with current year payments on the contract, the Township's portion of the contract payable decreased by \$107,939. Payments are being made out of the Water and Sanitary Sewer Fund.

At year's end, long-term debt amounted to \$2,405,294. Such debt includes *Contracts Payable and Notes Payable*.

An expanded and detailed presentation of long-term debt may be seen in Note 6 of the audit, notes to financial statements.

Economic Factors

The Township Board continues to work hard to keep expenditures down and to maintain revenue levels that are within their control. Revenue sharing from the State of Michigan is the greatest source of revenue for the Township's General Fund at approximately 54%. The Township Board would like to note that they have enough Unassigned Fund Balance in the General Fund to cover over four years of lost revenue sharing with no other action.

The Township's property tax revenues are the second highest funding source and account for approximately 29% of the Township General Fund Revenues.

The major expenditures for the Township's General Fund are for General Government (57%), followed by Public Works (19%) and Public Safety (15%).

In the current year, the General Fund experienced a 9% increase in Fund Balance. The Township Board monitors the revenue and expenditures throughout the year and takes appropriate action when the economic factors dictate a change.

Component Units

Complete financial statements for the West Branch Downtown Development Authority are included in this audit report.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township of West Branch's Township Clerk's office located at 1705 S. Fairview Road, West Branch, MI 48661.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF NET POSITION
March 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Downtown Development Authority
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,698,469	\$ 805,970	\$ 2,504,439	\$ 414,520
Investments	0	581,796	581,796	0
Receivables:				
Property Taxes	2,210	0	2,210	0
Delinquent Taxes	14,823	0	14,823	0
Accounts, Net	0	94,845	94,845	0
Due from Primary Government	0	0	0	4,383
Due from Local Units	1,534	0	1,534	0
Due from State	41,008	0	41,008	0
Internal Balances	4,054	0	4,054	0
Prepaid Items	93,794	0	93,794	0
Real Property Held for Sale	23,789	0	23,789	0
Noncurrent Assets:				
Investment in West Branch Area Wastewater Treatment Plant Authority	0	3,105,086	3,105,086	0
Capital Assets Not Being Depreciated	43,536	26,700	70,236	1,066,225
Capital Assets, Net of Accumulated Depreciation	142,499	2,249,382	2,391,881	635,244
Total Assets	2,065,716	6,863,779	8,929,495	2,120,372
<u>Liabilities</u>				
Accounts Payable	4,391	1,016	5,407	0
Due to Local Units	0	35,157	35,157	0
Due to Component Unit	4,383	0	4,383	0
Accrued Interest Payable	0	20,098	20,098	1,103
Accrued Liabilities	1,952	0	1,952	0
Due to Primary Government	0	0	0	4,054
Unearned Revenue	87,261	0	87,261	0
Long Term Liabilities:				
Due Within One Year	0	62,491	62,491	23,000
Due In More Than One Year	0	2,342,803	2,342,803	112,000
Total Liabilities	97,987	2,461,565	2,559,552	140,157
<u>Net Position</u>				
Net Investment in Capital Assets	186,035	2,276,082	2,462,117	1,566,469
Restricted For:				
Marijuana Administration and Enforcement	22,100	0	22,100	0
Economic Development	0	0	0	413,746
Capital Projects	28,760	0	28,760	0
Unrestricted	1,730,834	2,126,132	3,856,966	0
Total Net Position	\$ 1,967,729	\$ 4,402,214	\$ 6,369,943	\$ 1,980,215

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2023

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Unit Downtown Development Authority
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
<u>Primary Government</u>								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 91,877	\$ 0	\$ 0	\$ 0	\$ (91,877)	\$ 0	\$ (91,877)	
Financial and Tax								
Administration	89,387	50,869	0	0	(38,518)	0	(38,518)	
Other General Government	26,443	0	0	0	(26,443)	0	(26,443)	
Public Safety:								
Fire	54,125	0	0	0	(54,125)	0	(54,125)	
Other Public Safety	3,450	0	0	0	(3,450)	0	(3,450)	
Public Works:								
Solid Waste	28,648	38,583	0	0	9,935	0	9,935	
Other Public Works	101,377	19,651	0	131,230	49,504	0	49,504	
Health and Welfare:								
Other Health and Welfare	223,290	0	0	0	(223,290)	0	(223,290)	
Community and Economic								
Development	28,266	0	0	3,198	(25,068)	0	(25,068)	
Recreation and Cultural	0	5,000	0	0	5,000	0	5,000	
Interest and Fees on Long- Term Debt	52	0	0	0	(52)	0	(52)	
Total Governmental Activities	<u>646,915</u>	<u>114,103</u>	<u>0</u>	<u>134,428</u>	<u>(398,384)</u>	<u>0</u>	<u>(398,384)</u>	

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2023

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Unit Downtown Development Authority
	Program Revenues				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Business-Type Activities:								
Water and Sanitary Sewer Services	\$ 333,241	\$ 313,612	\$ 0	\$ 0	\$ 0	\$ (19,629)	\$ (19,629)	
Water #2 Services	80,187	92,530	0	0	0	12,343	12,343	
Total Business-Type Activities	<u>413,428</u>	<u>406,142</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,286)</u>	<u>(7,286)</u>	
Total Primary Government	<u>\$ 1,060,343</u>	<u>\$ 520,245</u>	<u>\$ 0</u>	<u>\$ 134,428</u>	<u>(398,384)</u>	<u>(7,286)</u>	<u>(405,670)</u>	
Component Unit								
Downtown Development Authority	<u>\$ 136,428</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>				<u>\$ (136,428)</u>
General Revenues:								
Property Taxes Levied For:								
General Operating					\$ 235,413	\$ 0	\$ 235,413	290,504
State Revenue Sharing					281,761	0	281,761	0
Interest and Investment Earnings					29,309	4,622	33,931	741
Rent Income					351	19,850	20,201	0
Gain (Loss) on Disposal of Assets					(2,393)	0	(2,393)	0
Other					6,421	4,617	11,038	0
Total General Revenues					<u>550,862</u>	<u>29,089</u>	<u>579,951</u>	<u>291,245</u>
Change in Net Position					152,478	21,803	174,281	154,817
Net Position - Beginning (Restated)					<u>1,815,251</u>	<u>4,380,411</u>	<u>6,195,662</u>	<u>1,825,398</u>
Net Position - Ending					<u>\$ 1,967,729</u>	<u>\$ 4,402,214</u>	<u>\$ 6,369,943</u>	<u>\$ 1,980,215</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2023

		<u>Special Revenue Fund</u>		
	<u>General Fund</u>	<u>Gypsy Moth Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,443,795	\$ 1,479	\$ 253,195	\$ 1,698,469
Receivables:				
Property Taxes	2,210	0	0	2,210
Delinquent Taxes	7,034	7,789	0	14,823
Due from Local Units	1,534	0	0	1,534
Due from State	41,008	0	0	41,008
Due from Other Funds	0	4,054	0	4,054
Prepaid Items	44,390	0	49,404	93,794
Inventory	<u>0</u>	<u>0</u>	<u>23,789</u>	<u>23,789</u>
 Total Assets	 <u>\$ 1,539,971</u>	 <u>\$ 13,322</u>	 <u>\$ 326,388</u>	 <u>\$ 1,879,681</u>
<u>Liabilities</u>				
Accounts Payable	\$ 2,452	\$ 0	\$ 1,939	\$ 4,391
Due to Component Unit	4,383	0	0	4,383
Accrued Liabilities	1,952	0	0	1,952
Unearned Revenue - ARPA Grant	<u>0</u>	<u>0</u>	<u>87,261</u>	<u>87,261</u>
Total Liabilities	<u>8,787</u>	<u>0</u>	<u>89,200</u>	<u>97,987</u>
<u>Fund Equity</u>				
Fund Balances:				
Nonspendable:				
Prepaid Items	44,390	0	49,404	93,794
Inventory	0	0	23,789	23,789
Restricted For:				
Capital Projects	0	0	28,760	28,760
Marijuana Administration and Enforcement	0	0	22,100	22,100
Committed To:				
Gypsy Moth Suppression and Control	0	13,322	0	13,322
Senior Citizens	0	0	63,135	63,135
Road Projects	0	0	50,000	50,000
Assigned To:				
Next Year's Budgeted Expenditures	36,226	0	0	36,226
Unassigned	<u>1,450,568</u>	<u>0</u>	<u>0</u>	<u>1,450,568</u>
Total Fund Equity	<u>1,531,184</u>	<u>13,322</u>	<u>237,188</u>	<u>1,781,694</u>
 Total Liabilities and Fund Equity	 <u>\$ 1,539,971</u>	 <u>\$ 13,322</u>	 <u>\$ 326,388</u>	 <u>\$ 1,879,681</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
March 31, 2023

Total Governmental Fund Balances		\$	1,781,694
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	\$	258,092	
Accumulated Depreciation		<u>(72,057)</u>	
			<u>186,035</u>
Total Net Position - Governmental Activities		\$	<u>1,967,729</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2023

	Special Revenue Fund		Other Governmental Funds	Total Governmental Funds
	General Fund	Gypsy Moth Fund		
<u>Revenue</u>				
Property Taxes	\$ 153,552	\$ 130,210	\$ 0	\$ 283,762
Federal Revenue	0	0	134,428	134,428
State Shared Revenue	288,452	0	0	288,452
Licenses and Permits	318	0	0	318
Charges for Services	41,303	0	5,000	46,303
Interest and Rentals	29,161	45	454	29,660
Other Revenue	18,863	0	0	18,863
Total Revenue	531,649	130,255	139,882	801,786
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	72,445	0	0	72,445
Chief Executive	19,432	0	0	19,432
Financial and Tax Administration	89,387	0	0	89,387
Other General Government	32,760	0	0	32,760
Public Safety	57,575	0	0	57,575
Public Works	71,988	0	0	71,988
Health and Welfare	0	223,290	0	223,290
Community and Economic Development	23,130	0	5,136	28,266
Capital Outlay	0	0	58,037	58,037
Debt Service:				
Principal	11,589	0	0	11,589
Interest and Fiscal Charges	232	0	0	232
Total Expenditures	378,538	223,290	63,173	665,001
Excess of Revenue Over (Under) Expenditures	153,111	(93,035)	76,709	136,785
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	11,821	0	40,000	51,821
Operating Transfers Out	(40,000)	0	(11,821)	(51,821)
Total Other Financing Sources (Uses)	(28,179)	0	28,179	0
Net Change in Fund Balances	124,932	(93,035)	104,888	136,785
Fund Balances - Beginning of Year (Restated)	1,406,252	106,357	132,300	1,644,909
Fund Balances - End of Year	\$ 1,531,184	\$ 13,322	\$ 237,188	\$ 1,781,694

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	136,785
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital Outlay	\$	14,750
Depreciation Expense		(8,433)
Net Basis of Capital Assets Sold		<u>(2,393)</u>
		3,924
<p>Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of repayments reported as expenditures in the governmental funds consist of:</p>		
Notes Payable		11,589
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Net Change in Accrued Interest		<u>180</u>
Change in Net Position of Governmental Activities	\$	<u><u>152,478</u></u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
March 31, 2023

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 257,966	\$ 548,004	\$ 805,970
Investments	263,649	318,147	581,796
Receivables:			
Accounts, Net	74,813	20,032	94,845
Total Current Assets	596,428	886,183	1,482,611
Noncurrent Assets:			
Investment in West Branch Area Wastewater Treatment Plant Authority	3,105,086	0	3,105,086
Capital Assets Not Being Depreciated	3,700	23,000	26,700
Capital Assets, Net of Accumulated Depreciation	1,312,150	937,232	2,249,382
Total Noncurrent Assets	4,420,936	960,232	5,381,168
Total Assets	5,017,364	1,846,415	6,863,779
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	564	452	1,016
Due to Local Units	35,157	0	35,157
Accrued Interest Payable	20,098	0	20,098
Current Portion of Long-Term Liabilities	62,491	0	62,491
Total Current Liabilities	118,310	452	118,762
Long-Term Liabilities:			
Due in More Than One Year	2,342,803	0	2,342,803
Total Liabilities	2,461,113	452	2,461,565
<u>Net Position</u>			
Net Investment in Capital Assets	1,315,850	960,232	2,276,082
Unrestricted	1,240,401	885,731	2,126,132
Total Net Position	\$ 2,556,251	\$ 1,845,963	\$ 4,402,214

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended March 31, 2023

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Operating Revenue</u>			
Charges For Services	\$ 306,642	\$ 91,093	\$ 397,735
Service Connection Charges	6,970	1,437	8,407
Rentals	0	19,850	19,850
Other Revenue	3,417	1,200	4,617
Total Operating Revenue	<u>317,029</u>	<u>113,580</u>	<u>430,609</u>
<u>Operating Expenses</u>			
Salaries and Wages	10,009	11,094	21,103
Payroll Taxes and Employee Benefits	390	2,030	2,420
Depreciation and Amortization	95,705	42,183	137,888
Dues and Subscriptions	0	1,071	1,071
Operating Supplies	0	5,883	5,883
Postage	0	61	61
Professional Fees and Services	6,598	6,270	12,868
Repair and Maintenance	0	610	610
Utilities	7,148	10,985	18,133
Water Purchases	152,415	0	152,415
Total Operating Expenses	<u>272,265</u>	<u>80,187</u>	<u>352,452</u>
Operating Income (Loss)	<u>44,764</u>	<u>33,393</u>	<u>78,157</u>
<u>Nonoperating Revenue (Expenses)</u>			
Interest and Investment Earnings	1,148	3,474	4,622
Interest and Fees Expense	(60,976)	0	(60,976)
Total Nonoperating Revenue (Expenses)	<u>(59,828)</u>	<u>3,474</u>	<u>(56,354)</u>
Change in Net Position	(15,064)	36,867	21,803
Net Position - Beginning of Year	<u>2,571,315</u>	<u>1,809,096</u>	<u>4,380,411</u>
Net Position - End of Year	<u>\$ 2,556,251</u>	<u>\$ 1,845,963</u>	<u>\$ 4,402,214</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended March 31, 2023

	Enterprise Funds		
	Major Funds		
	Water and Sanitary Sewer Fund	Water #2 Fund	Total
<u>Cash Flows From Operating Activities</u>			
Receipts From Customers	\$ 315,662	\$ 112,259	\$ 427,921
Payments to Suppliers for Goods and Services	(167,811)	(24,880)	(192,691)
Payments to Employees for Services	(10,399)	(13,124)	(23,523)
Net Cash Provided (Used) by Operating Activities	137,452	74,255	211,707
<u>Cash Flows From Capital and Related Financing Activities</u>			
Principal Paid on Long-Term Debt	(61,312)	0	(61,312)
Interest and Fees Paid on Long-Term Debt	(61,876)	0	(61,876)
Net Cash Provided (Used) by Capital and Related Financing Activities	(123,188)	0	(123,188)
<u>Cash Flows From Investing Activities</u>			
Interest on Investments	1,148	1,729	2,877
Proceeds from Maturity of Investments	193,185	0	193,185
Purchase of Investments	(100,220)	0	(100,220)
Net Cash Provided (Used) by Investing Activities	94,113	1,729	95,842
Net Increase (Decrease) in Cash and Cash Equivalents	108,377	75,984	184,361
Cash and Cash Equivalents at Beginning of Year	149,589	472,020	621,609
Cash and Cash Equivalents at End of Year	\$ 257,966	\$ 548,004	\$ 805,970
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>			
Operating Income (Loss)	\$ 44,764	\$ 33,393	\$ 78,157
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization Expense	95,705	42,183	137,888
Change in Assets and Liabilities:			
Accounts Receivable, Net	(1,367)	(1,321)	(2,688)
Accounts Payable and Accrued Liabilities	(1,650)	0	(1,650)
Net Cash Provided (Used) by Operating Activities	\$ 137,452	\$ 74,255	\$ 211,707

Supplemental Disclosures:

Noncash Capital and Related Financing Activities

The Township recorded noncash activity by decreasing their investment in the West Branch Area Wastewater Treatment Plant Authority by \$46,627 through an decrease in the contract payable to the Authority of \$46,627 for a total investment of \$3,105,086.

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
March 31, 2023

	<u>Tax Collection Fund</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ <u>103</u>
<u>Liabilities</u>	
Due to Local Units	\$ <u>103</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended March 31, 2023

	<u>Tax Collection Fund</u>
<u>Additions</u>	
Property Taxes Collected for Other Governments	\$ 3,555,863
<u>Deductions</u>	
Property Taxes Distributed to Other Governments	<u>3,555,863</u>
Net Increase (Decrease) in Fiduciary Net Position	0
Net Position - Beginning of Year	<u>0</u>
Net Position - End of Year	<u>\$ 0</u>

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

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of West Branch (Township) 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 Township Operations and Fund Types

The Township of West Branch was organized in 1885 and covers an area of approximately 36 square miles in Ogemaw County, Michigan. The Township operates under an elected Township Board (five members) and provides services to its residents in many areas including community enrichment and development and human services. All activities over which the Township exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

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 Township are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township.

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

In addition, the Township 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 Township's component unit. This is reported in a separate column to emphasize that it is legally separate from the Township.

a. Governmental Activity and Fund Type Component Unit:

Township of West Branch Downtown Development Authority - The governing body of the Downtown Development Authority is appointed by the Township Board. The annual budget of the Authority is approved by the Township Board. The Authority cannot levy taxes or issue debt without the approval of the Township Board. The Authority was created to halt property value deterioration and the causes thereof, to increase property tax valuation, and to promote economic growth within the development district. The financial statements of the Authority are presented as part of Other Supplementary Information and are not audited separately.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Joint Ventures

The Township has entered into joint ventures with various municipalities described as follows:

Ogemaw Fire Department

The Township of West Branch is one member of the Ogemaw Fire Department which serves six governmental units. The Township contributes a pro-rata share of the budget of the Ogemaw Fire Department based on the state equalized value (SEV) of the participating municipalities, as provided by the by-laws of the Ogemaw Fire Department. The Township's contribution to the Ogemaw Fire Department for the year ended March 31, 2023 was \$54,125.

Upon dissolution of the Ogemaw Fire Department, all funds, special funds, equipment, land, buildings and assets belonging to the Department shall remain with any two or more of the original municipalities that agreed to continue under the terms of the contract on the effective date of the dissolution of the Department. The Ogemaw Fire Department had assets of \$1,216,413 at December 31, 2022.

Financial statements may be obtained from the Ogemaw Fire Department, 119 N. Third Street, West Branch, MI 48661.

West Branch Area Wastewater Treatment Plant Authority

The West Branch Area Wastewater Treatment Plant Authority (Authority) was established as a joint venture between the City of West Branch, West Branch Township and Ogemaw Township. The Authority was established for the construction and operation of a sewage treatment facility to service the three municipalities. The Authority was established to acquire, own, improve, enlarge, extend and operate a sewage treatment facility. The initial contract amount plus any adjustment for the Township of West Branch's share of the contract is recorded as Investment in West Branch Area Wastewater Treatment Plant Authority in the Water and Sanitary Sewer Fund of the Township because title to the sewer facility belongs to the Authority.

The construction was originally funded with the proceeds of the West Branch Area Wastewater Treatment Plant Authority Limited Tax General Obligation Bonds series 2009A and 2009B. The most current estimate of the Township's share is 24.70% of the total bond issue as of June 30, 2022 of \$4,110,000 and \$8,410,000 or \$1,015,170 and \$2,007,270 respectively. Each entity's percentage of payback is based on actual gallon usage and is adjusted on an annual basis. The assets of the joint sewage treatment facility are the property of the West Branch Area Wastewater Treatment Plant Authority and, therefore, are not presented in these financial statements. The members of this joint venture have pledged their full faith and credit for the payment and are obligated to make such payments from their Sewer Funds. Currently, the Township of West Branch is making payments through charges for services.

The current value of the Township of West Branch's investment in the West Branch Area Wastewater Treatment Plant Authority is \$3,105,086. Complete financial statements can be obtained from the West Branch Area Wastewater Treatment Plant Authority's office.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government and its component unit, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from the statements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues while business-type activities rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Township.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type, and are excluded from the government-wide financial statements.

E. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Township's major governmental fund:

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Accounting (Continued)

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenue.

Gypsy Moth Fund - This fund accounts for all property tax revenues levied to extinguish the gypsy moth population, as well as any related expenditures.

The other governmental funds of the Township accounts for taxes and interest and other resources whose use is restricted for a particular purpose; the accumulation of resources for, and the payment of debt.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Township's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Township's major enterprise funds:

Water and Sanitary Sewer Fund - This fund is used to record transactions relative to the operation of the water and sewer use for the Township of West Branch.

Water #2 Fund - This fund is used to record transactions relative to the operation of the water use for the I-75 project from Cook Road to M-55 and future service connections.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The Township's fiduciary fund accounts for assets held by the Township for political subdivisions in which the Township acts as fiscal agent for others. The Township uses this fund to account for property tax collections.

F. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Township are included on the statement of net position.

Fund Financial Statements

All governmental fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Measurement Focus (Continued)

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its enterprise activities.

G. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide, proprietary and fiduciary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue as deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Township must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), interest, grants and rent.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Basis of Accounting (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

H. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Township are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

I. Receivables

Receivables generally consist of accounts (fees), taxes, special assessments, and charges for sewer and water services due from various customers. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The balances consist primarily of water and sewer charges receivable, special assessments due, and delinquent property taxes receivable.

The allowance for doubtful accounts at March 31, 2023 was \$0 for the primary government and the component unit.

J. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township's infrastructure consists of water and sewer lines. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Land Improvements	15 - 20 years
Buildings and Improvements	15 - 39 years
Machinery and Equipment	3 - 20 years
Distribution and Collection Systems	15 - 50 years
Infrastructure	20 years
Software	3 - 5 years

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Township reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Township's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Township.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The Township's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

N. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Township Board—the Township's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Township Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Township Board or personnel authorized by the Board have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. If any portion of existing fund balance will be used to eliminate a projected deficit in the budget for the subsequent year, this amount will also be categorized as Assigned fund balance.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances (Continued)

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Township will use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Township, these revenues are charges for services for water and sewer usage. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended March 31, 2023.

R. Budgets and Budgetary Accounting

The Township of West Branch normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Township Board throughout the operating year.

The Township adopts budgets for the General Fund and Special Revenue Fund.

The budgets of the Township are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Budgets and Budgetary Accounting (Continued)

The legal level of control is at the activity level for the General Fund and Special Revenue Fund. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board. The financial statements include budgetary amounts as amended.

S. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

T. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2023, the Township has implemented GASB Statement No. 87, "Leases". The objective of this Statement is to increase the usefulness of the governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activity.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and Cash Equivalents	\$ 1,698,469	\$ 805,970	\$ 103	\$ 2,504,542	\$ 414,520
Investments	<u>0</u>	<u>581,796</u>	<u>0</u>	<u>581,796</u>	<u>0</u>
Total	<u>\$ 1,698,469</u>	<u>\$ 1,387,766</u>	<u>\$ 103</u>	<u>\$ 3,086,338</u>	<u>\$ 414,520</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank Deposits (Checking and Savings Accounts and Certificates of Deposit)	\$ 2,096,219	\$ 414,520
Investments in Municipal Investment Account Pooled Funds and Repurchase Agreement Securities and Similar Vehicles	989,605	0
Petty Cash and Cash on Hand	514	0
Total	\$ 3,086,338	\$ 414,520

As of March 31, 2023, the Township had the following investments.

Investment Type	Fair Value	Specific Identification Maturities
Primary Government: Investment Pools	\$ 989,605	Daily

Interest Rate Risk

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's known cash requirements.

Credit Risk

State law authorizes investments in accordance with Act 196, PA 1997 and in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local government unit in Michigan. The Township's MBIA Asset Management Group investment pools are rated AAAM by Standard and Poor's.

Custodial Credit Risk - Deposits - Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2023, \$1,639,730 of the Township's bank balance of \$2,139,730 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Unit

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of March 31, 2023, \$414,519 of the Downtown Development Authority's bank balance of \$414,519 was exposed to custodial credit risk because it was uninsured and uncollateralized.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, by; limiting investments to the types of securities approved in the Township's investment policy which is in accordance with State law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

Foreign Currency Risk

The Township's investment policy does not address foreign currency risk.

Investments

The Township Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Township to deposit and invest in the following:

- λ Accounts of federally insured banks, credit unions and savings and loan associations
- λ Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- λ United States government or federal agency obligation repurchase agreements
- λ Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Township's deposits and investments are in accordance with statutory authority.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of March 31, 2023 were as follows:

Due to	General Fund	Due from Downtown Development Authority - Component Unit	Total
Downtown Development Authority - Component Unit	\$ 4,383	\$ 0	\$ 4,383
Gypsy Moth Fund	0	4,054	4,054
	\$ 4,383	\$ 4,054	\$ 8,437

All balances owed are the result of the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended March 31, 2023, was as follows:

	Balance 04/01/22	Additions	Deletions	Balance 03/31/23
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 43,536	\$ 0	\$ 0	\$ 43,536
Capital Assets Being Depreciated:				
Land Improvements	37,955	14,750	0	52,705
Buildings and Improvements	85,321	0	(4,400)	80,921
Machinery and Equipment	20,282	0	0	20,282
Infrastructure	47,804	0	0	47,804
Software	12,844	0	0	12,844
Subtotal	204,206	14,750	(4,400)	214,556
Less Accumulated Depreciation for:				
Land Improvements	(4,982)	(2,298)	0	(7,280)
Buildings and Improvements	(29,693)	(2,497)	2,007	(30,183)
Machinery and Equipment	(20,282)	0	0	(20,282)
Software	(10,674)	(1,248)	0	(11,922)
Infrastructure	0	(2,390)	0	(2,390)
Subtotal	(65,631)	(8,433)	2,007	(72,057)
Capital Assets Being Depreciated	138,575	6,317	(2,393)	142,499
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ 182,111	\$ 6,317	\$ (2,393)	\$ 186,035

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance 04/01/22	Additions	Deletions	Balance 03/31/23
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 26,700	\$ 0	\$ 0	\$ 26,700
Capital Assets Being Depreciated:				
Machinery and Equipment	83,972	0	0	83,972
Distribution and Collection Systems	5,448,884	0	0	5,448,884
Software	11,288	0	0	11,288
Subtotal	5,544,144	0	0	5,544,144
Less Accumulated Depreciation for:				
Machinery and Equipment	(15,784)	(4,088)	0	(19,872)
Distribution and Collection Systems	(3,137,038)	(131,991)	0	(3,269,029)
Software	(4,052)	(1,809)	0	(5,861)
Subtotal	(3,156,874)	(137,888)	0	(3,294,762)
Capital Assets Being Depreciated	2,387,270	(137,888)	0	2,249,382
Business-Type Activities Total	\$ 2,413,970	\$ (137,888)	\$ 0	\$ 2,276,082
Capital Assets - Net of Depreciation	\$ 2,413,970	\$ (137,888)	\$ 0	\$ 2,276,082

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

General Government:

Other General Government \$ 8,433

Business-Type Activities

Water and Sanitary Sewer \$ 95,705
Water #2 42,183

Total Business-Type Activities \$ 137,888

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Downtown Development Authority for the current year is as follows:

	Balance 04/01/22	Additions	Deletions	Balance 03/31/23
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 970,973	\$ 95,252	\$ 0	\$ 1,066,225
Capital Assets Being Depreciated:				
Land Improvements	1,271,534	0	0	1,271,534
Less Accumulated Depreciation for:				
Land Improvements	(551,521)	(84,769)	0	(636,290)
Capital Assets Being Depreciated	720,013	(84,769)	0	635,244
Governmental Activities Total Capital Assets - Net of Depreciation	\$ 1,690,986	\$ 10,483	\$ 0	\$ 1,701,469

Depreciation expense was charged to programs of the Downtown Development Authority as follows:

<u>Governmental Activities</u>	
Community and Economic Development	\$ 84,769

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Contracts Payable

	Governmental	Business-Type
West Branch Area Wastewater Treatment Plant Authority	\$ 0	\$ 2,405,294

Component Unit:

B. Bonds Payable

	Governmental	Business-Type
2013 Limited Tax General Obligation Bonds	\$ 135,000	\$ 0

C. Detailed Long-Term Debt Disclosures

Direct Borrowing

Brownfield Redevelopment Note

Brownfield Redevelopment Note for the Mulch Manufacturing Project. The \$118,000 note dated June 20, 2007, with the Michigan Department of Environmental Quality, beared interest at 2% and was due in annual installments through 2022. Final payment was made in current fiscal year.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

C. Detailed Long-Term Debt Disclosures (Continued)

2013 Limited Tax General Obligation Bonds

Township of West Branch Downtown Development Authority - \$330,000 Limited Tax General Obligation Bonds, Series 2013, dated February 19, 2014 for the purpose of paying the cost of streetscape improvements were entered into with the United States of America. The bonds bear interest at 3.5% and are due in annual installments through November 1, 2028. The Township shall budget the amount of debt service each year as a first budget obligation from general funds or, if necessary, levy taxes upon all taxable property in the Township necessary to pay such debt service.

Other Debt

West Branch Area Wastewater Treatment Plant Authority

The sewer system agreement to finance the cost of the construction and operation of a sewage treatment facility to service three municipalities was funded with the proceeds from two Limited Tax General Obligation Bonds: Series 2009 A and Series 2009 B held by the West Branch Wastewater Treatment Plant Authority. The contract will be due to the Authority in semi-annual installments through June 1, 2049, bearing interest at 2.5%. The most current estimate of the Township's share is \$2,405,294. If any principal installment or interest is not paid when due, the amount not paid is subject to a penalty, in addition to interest, of 1% for each month or fraction thereof it remains unpaid after the due date. The Township states its intention to pay its obligations under this contract from the levy and collection of rates and charges to users of the sewage disposal services. In the event of a default, state sales tax funds may be withheld and paid to the Authority to apply to the Township's obligation under this contract.

D. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2023:

	<u>Balance</u> <u>04/01/22</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>03/31/23</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
Primary Government:					
Direct Borrowing:					
Notes Payable	\$ <u>11,589</u>	\$ <u>0</u>	\$ <u>(11,589)</u>	\$ <u>0</u>	\$ <u>0</u>
Component Unit:					
Direct Borrowing:					
Bonds Payable	\$ <u>158,000</u>	\$ <u>0</u>	\$ <u>(23,000)</u>	\$ <u>135,000</u>	\$ <u>23,000</u>
<u>Business-Type Activities</u>					
Primary Government:					
Other Debt:					
Contracts Payable	\$ <u>2,513,233</u>	\$ <u>0</u>	\$ <u>(107,939)</u> *	\$ <u>2,405,294</u>	\$ <u>62,491</u>

*Represents net of additions and retirements for the year.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

D. Changes in Long-Term Liabilities (Continued)

The interest expense on long-term obligations for the year was \$61,028 for the Primary Government and \$5,530 for the Downtown Development Authority.

The annual aggregate maturities for all debt outstanding as of March 31, 2023 are as follows:

Primary Government

Contracts Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 0	\$ 0	\$ 62,491	\$ 59,964	\$ 122,455
2025	0	0	64,220	58,382	122,602
2026	0	0	65,949	56,757	122,706
2027	0	0	67,678	55,088	122,766
2028	0	0	69,407	53,377	122,784
2029 - 2033	0	0	374,946	239,630	614,576
2034 - 2038	0	0	426,816	189,641	616,457
2039 - 2043	0	0	485,602	132,761	618,363
2044 - 2048	0	0	552,786	68,020	620,806
2049 - 2050	0	0	235,399	7,116	242,515
Total	\$ 0	\$ 0	\$ 2,405,294	\$ 920,736	\$ 3,326,030

Component Unit

Bonds Payable	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 23,000	\$ 4,390	\$ 0	\$ 0	\$ 27,390
2025	24,000	3,570	0	0	27,570
2026	25,000	2,715	0	0	27,715
2027	26,000	1,826	0	0	27,826
2028	27,000	901	0	0	27,901
2029	10,000	204	0	0	10,204
Total	\$ 135,000	\$ 13,606	\$ 0	\$ 0	\$ 148,606

NOTE 7 - PROPERTY TAXES

Primary Government

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on July 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 Township was \$130,674,664. The tax rates were .9031 mills for operating and 1.0000 mills for gypsy moth control.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 7 - PROPERTY TAXES (CONTINUED)

Component Unit

Property taxes include amounts levied against all real property and tangible personal property located in the Downtown Development District. Properties are assessed as of December 31 and the related property taxes become a lien on July 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 \$25,123,965. The tax rates were 11.5600 mills for operations.

NOTE 8 - OPERATING TRANSFERS

During the year ended March 31, 2023, the following transfers were made:

<u>Transfer to</u>	<u>Transfer from</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund	\$ 0	\$ 11,821	\$ 11,821
Nonmajor Governmental Funds	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Total	<u>\$ 40,000</u>	<u>\$ 11,821</u>	<u>\$ 51,821</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 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2023, the Township incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund/Community and Economic Development	\$ 17,075	\$ 23,130	\$ 6,055
General Fund/Debt Service/Principal	\$ 10,750	\$ 11,589	\$ 839
General Fund/Transfers Out	\$ 7,000	\$ 40,000	\$ 33,000
Gypsy Moth Fund/ Health and Welfare	\$ 0	\$ 223,290	\$ 223,290

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 10 - RETIREMENT PLAN

The Township has a defined contribution pension plan with Farm Bureau Insurance effective in 1991. All full-time employees are covered under the plan. Eligibility to become a participant is limited to those employees who, on the effective date, have attained age 18. Vesting is 100% upon entering the plan. The Township is required to contribute an amount equal to 15.0% of the employee's gross earnings.

During the year ended March 31, 2023, the Township contributed \$14,950 on behalf of eligible employees.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 11 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township has purchased commercial insurance for medical benefits claims, general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Township is currently a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, the Township and the Township's attorney estimate that any potential costs would not materially affect the financial statements of the Township.

NOTE 12 - CONTINGENCIES AND COMMITMENTS

Governmental Activities

During the fiscal year ending March 31, 2021, the Township received an invoice from Ogemaw County in the amount of \$35,000 for work performed by GeoSpan. The Township originally entered into a contract with the County and GeoSpan in 2016, with the goal of GeoSpan being able to raise the Township's property tax revenues. The Township does not believe that this service has been adequately provided, and have expressed to the County that they do not plan to pay anything as of the date of this report.

On March 22, 2023, the Township approved to enter into an agreement with the Board of County Road Commissioners for the County of Ogemaw for unscheduled work to be performed on roads in the township in the amount of \$84,786, with the Township's portion of the project being at \$38,173.70. No work has started as of the start of this report.

Component Unit

On July 01, 2022 the Downtown Development Authority received an invoice from Lapham Associates for the planning and designs for the M-55 Pathways Project for \$69,500, which includes bid administration, the design for an extra culvert and MDOT permit work. As of March 31, 2023, 98% of the assessed work was complete, leaving the remaining commitment to complete at year end, \$1,390.

On January 05, 2023, the Downtown Development Authority received a work order from K&J Excavation LLC in the amount of \$49,700 for work to be performed for the M-55 Pathway Project. Work is to include the removal to three tree stumps and the addition of two retaining walls. A \$5,000 initial payment was already spent by the Board in the fiscal year, leaving a remaining commitment of \$44,700.

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

NOTE 12 - CONTINGENCIES AND COMMITMENTS (CONTINUED)

In 2018, the Downtown Development Authority agreed to commit \$100,000 toward a \$175,000 proposed project to make improvements to the Secret Campground and RV Park, contingent upon the Ogemaw County Parks and Recreation Commission obtaining a grant from the Michigan Recreation Passport Grant Program. Ogemaw County obtained the Michigan Recreation Passport Grant in February of 2020. No work had been started as of the date of this report, as anticipated costs have increased and further funding of the project is still being discussed.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

In the previous two fiscal years, the Gypsy Moth millages were included in the Downtown Development Authority recaptures in error. While this was corrected for the current year recaptures, the beginning fund balance was restated to increase the fund balance in the Gypsy Moth Fund and Governmental Activities and decrease the beginning fund balance in the Downtown Development Authority Fund and Downtown Development Authority for those dollars that were recaptured by the Downtown Development Authority in error.

	Governmental Activities	Gypsy Moth Fund	Downtown Development Authority	Downtown Development Authority Fund
Net Assets / Fund Balance - Beginning	\$ 1,770,710	\$ 61,816	\$ 1,869,939	\$ 339,257
Adjustment for Repayment of Recaptured Taxes	44,541	44,541	(44,541)	(44,541)
Net Assets / Fund Balance - Beginning (Restated)	\$ 1,815,251	\$ 106,357	\$ 1,825,398	\$ 294,716

NOTE 14 - SUBSEQUENT EVENTS

On April 12, 2023, the Township of West Branch approved ordering of upgrades to software from BS&A System Upgrades and having them installed for \$74,750.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2023

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 140,512	\$ 140,512	\$ 153,552	\$ 13,040
State Shared Revenue	240,190	240,190	288,452	48,262
Licenses and Permits	918	918	318	(600)
Charges for Services	30,900	30,900	41,303	10,403
Interest and Rentals	15,250	15,250	29,161	13,911
Other Revenue	8,600	8,600	18,863	10,263
Total Revenue	<u>436,370</u>	<u>436,370</u>	<u>531,649</u>	<u>95,279</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	65,070	92,170	72,445	19,725
Chief Executive	21,875	21,875	19,432	2,443
Financial and Tax Administration	88,425	92,000	89,387	2,613
Other General Government	30,795	34,945	32,760	2,185
Public Safety	58,122	63,122	57,575	5,547
Public Works	151,855	153,660	71,988	81,672
Health and Welfare	650	650	0	650
Community and Economic Development	15,425	17,075	23,130	(6,055)
Capital Outlay	12,400	12,400	0	12,400
Debt Service:				
Principal	10,750	10,750	11,589	(839)
Interest and Fiscal Charges	1,325	1,325	232	1,093
Total Expenditures	<u>456,692</u>	<u>499,972</u>	<u>378,538</u>	<u>121,434</u>
Excess of Revenue Over (Under) Expenditures	<u>(20,322)</u>	<u>(63,602)</u>	<u>153,111</u>	<u>216,713</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	11,821	11,821	11,821	0
Operating Transfers Out	(7,000)	(7,000)	(40,000)	(33,000)
Total Other Financing Sources (Uses)	<u>4,821</u>	<u>4,821</u>	<u>(28,179)</u>	<u>(33,000)</u>
Net Change in Fund Balances	(15,501)	(58,781)	124,932	183,713
Fund Balances - Beginning of Year	<u>1,406,252</u>	<u>1,406,252</u>	<u>1,406,252</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 1,390,751</u>	<u>\$ 1,347,471</u>	<u>\$ 1,531,184</u>	<u>\$ 183,713</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GYPSY MOTH FUND - SPECIAL REVENUE FUND
For the Year Ended March 31, 2023

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Property Taxes	\$ 0	\$ 0	\$ 130,210	\$ 130,210
Interest and Rentals	500	500	45	(455)
Total Revenue	<u>500</u>	<u>500</u>	<u>130,255</u>	<u>129,755</u>
<u>Expenditures</u>				
Health and Welfare	<u>0</u>	<u>0</u>	<u>223,290</u>	<u>(223,290)</u>
Excess of Revenue Over (Under) Expenditures	500	500	(93,035)	(93,535)
Fund Balances - Beginning of Year (Restated)	<u>106,357</u>	<u>106,357</u>	<u>106,357</u>	<u>0</u>
Fund Balances - End of Year	<u><u>\$ 106,857</u></u>	<u><u>\$ 106,857</u></u>	<u><u>\$ 13,322</u></u>	<u><u>\$ (93,535)</u></u>

SUPPLEMENTARY INFORMATION

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
March 31, 2023

	Special Revenue Funds			Capital Projects Funds		Total Other Governmental Funds
	ARPA Fund	Marijuana Fund	Senior Citizen Fund	Refinery Redevelopment Fund	Road Construction Fund	
<u>Assets</u>						
Cash and Cash Equivalents	\$ 87,261	\$ 22,100	\$ 63,135	\$ 30,699	\$ 50,000	\$ 253,195
Prepaid Items	49,404	0	0	0	0	49,404
Inventory	23,789	0	0	0	0	23,789
Total Assets	<u>\$ 160,454</u>	<u>\$ 22,100</u>	<u>\$ 63,135</u>	<u>\$ 30,699</u>	<u>\$ 50,000</u>	<u>\$ 326,388</u>
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 1,939	\$ 0	\$ 1,939
Unearned Revenue - ARPA Grant	87,261	0	0	0	0	87,261
Total Liabilities	<u>87,261</u>	<u>0</u>	<u>0</u>	<u>1,939</u>	<u>0</u>	<u>89,200</u>
<u>Fund Equity</u>						
Fund Balances:						
Nonspendable:						
Prepaid Items	49,404	0	0	0	0	49,404
Inventory	23,789	0	0	0	0	23,789
Restricted For:						
Marijuana Administration and Enforcement	0	22,100	0	0	0	22,100
Capital Projects	0	0	0	28,760	0	28,760
Committed To:						
Senior Citizens	0	0	63,135	0	0	63,135
Road Projects	0	0	0	0	50,000	50,000
Assigned To:						
Total Fund Equity	<u>73,193</u>	<u>22,100</u>	<u>63,135</u>	<u>28,760</u>	<u>50,000</u>	<u>237,188</u>
Total Liabilities and Fund Equity	<u>\$ 160,454</u>	<u>\$ 22,100</u>	<u>\$ 63,135</u>	<u>\$ 30,699</u>	<u>\$ 50,000</u>	<u>\$ 326,388</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended March 31, 2023

	Special Revenue Funds			Capital Projects Funds		Total Other Governmental Funds
	ARPA Fund	Marijuana Fund	Senior Citizen Fund	Refinery Redevelopment Fund	Road Construction Fund	
<u>Revenue</u>						
Federal Revenue	\$ 131,230	\$ 0	\$ 0	\$ 3,198	\$ 0	\$ 134,428
Charges for Services	0	5,000	0	0	0	5,000
Interest and Rentals	0	0	273	181	0	454
Total Revenue	<u>131,230</u>	<u>5,000</u>	<u>273</u>	<u>3,379</u>	<u>0</u>	<u>139,882</u>
<u>Expenditures</u>						
Community and Economic Development	0	0	0	5,136	0	5,136
Capital Outlay	58,037	0	0	0	0	58,037
Total Expenditures	<u>58,037</u>	<u>0</u>	<u>0</u>	<u>5,136</u>	<u>0</u>	<u>63,173</u>
Excess of Revenue Over (Under) Expenditures	<u>73,193</u>	<u>5,000</u>	<u>273</u>	<u>(1,757)</u>	<u>0</u>	<u>76,709</u>
<u>Other Financing Sources (Uses)</u>						
Operating Transfers In	0	0	0	0	40,000	40,000
Operating Transfers Out	0	0	0	(11,821)	0	(11,821)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(11,821)</u>	<u>40,000</u>	<u>28,179</u>
Net Changes in Fund Balances	73,193	5,000	273	(13,578)	40,000	104,888
Fund Balances - Beginning of Year	<u>0</u>	<u>17,100</u>	<u>62,862</u>	<u>42,338</u>	<u>10,000</u>	<u>132,300</u>
Fund Balances - End of Year	<u>\$ 73,193</u>	<u>\$ 22,100</u>	<u>\$ 63,135</u>	<u>\$ 28,760</u>	<u>\$ 50,000</u>	<u>\$ 237,188</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT
GOVERNMENTAL FUND
March 31, 2023

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 414,520
Due from Primary Government	<u>4,383</u>
Total Assets	<u>\$ 418,903</u>
<u>Liabilities</u>	
Due to Primary Government	<u>\$ 4,054</u>
<u>Fund Equity</u>	
Fund Balances:	
Restricted For:	
Economic Development	<u>414,849</u>
Total Liabilities and Fund Equity	<u>\$ 418,903</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
March 31, 2023

Total Governmental Fund Balances		\$	414,849
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	\$	2,337,759	
Accumulated Depreciation		<u>(636,290)</u>	
			1,701,469
Accrued Interest on Long-Term Liabilities			(1,103)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Bonds Payable			<u>(135,000)</u>
Total Net Position - Governmental Activities		\$	<u>1,980,215</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES -
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND
For the Year Ended March 31, 2023

	<u>Downtown Development Authority</u>
<u>Revenue</u>	
Property Taxes	\$ 290,504
Interest and Rentals	741
Total Revenue	<u>291,245</u>
<u>Expenditures</u>	
Current:	
Community and Economic Development	142,582
Debt Service:	
Principal	23,000
Interest and Fiscal Charges	5,530
Total Expenditures	<u>171,112</u>
Excess of Revenue Over (Under) Expenditures	120,133
Fund Balances - Beginning of Year (Restated)	<u>294,716</u>
Fund Balances - End of Year	<u>\$ 414,849</u>

TOWNSHIP OF WEST BRANCH
Ogemaw County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF THE STATEMENT OF
 REVENUE, EXPENDITURES AND CHANGES INFUND BALANCES OF THE GOVERNMENTAL
 FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2023

Excess of Revenue Over (Under) Expenditures - Governmental Fund	\$	120,133
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital Outlay	\$	95,252
Depreciation Expense		<u>(84,769)</u>
		10,483
<p>Principal repayments on long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The amount of repayments reported as expenditures in the governmental funds consist of:</p>		
Bonds Payable		23,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Net Change in Accrued Interest		<u>1,201</u>
Change in Net Position of Governmental Activities	\$	<u><u>154,817</u></u>



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

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Donald W. Brannan, CPA
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Cynthia R. Scott, CPA, CFE

June 9, 2023

Management and the Board
Township of West Branch
Ogemaw County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of West Branch for the year ended March 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 30, 2023. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the Township during the audit and met with management on June 9, 2023. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Township Board, others within the Township and the Michigan Department of Treasury and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

Stephenson & Company, P.C.

APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Significant Audit Matters

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of West Branch are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the Township changed accounting policies related to Leases, by adopting statement of *Governmental Accounting Standards (GASB Statement) No. 87, "Leases"* in 2023. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. We noted no transactions entered into by the Township of West Branch during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

For 2023, the Township of West Branch will be required to implement GASB Statement No. 96, "Subscription-based Information technology Arrangements", which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements.

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Township of West Branch's financial statements was:

The Township's investment in West Branch Area Waste Water Treatment Plant Authority and the related contracts payable to the Authority, which are based on the Township's annual water usage compared to the total usage of the Authority as a whole. The investment value and bond debt liability fluctuates annually based on the above percentage calculation of annual water usage. We evaluated the key factors and assumptions used to develop the investment and the related contracts payable liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements as a whole, and material misstatements provided to management on June 9, 2023, were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 9, 2023.

APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Township of West Branch’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of West Branch’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining non major and the Downtown Development Authority – component unit fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

APPENDIX II MANAGEMENT COMMENTS

In planning and performing our audit of the 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 Township of West Branch as of and for the year ended March 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of West Branch's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of West Branch's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of West Branch's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be material weaknesses:

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation the Township of West Branch's financial statements. However, if at any point in the audit we as auditors are part of the Township of West Branch's control system for producing reliable financial statements, auditing standards indicate that the Township of West Branch has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles (GAAP) and the Township would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

BANK RECONCILIATIONS

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. During our audit, it was noted that bank reconciliations were in fact being prepared in a timely manner for all accounts; however, it was noted that large unreconciled differences were allowed to remain unreconciled from month to month. We recommend that management establish procedures to ensure that all balances are matched to the general ledger on a monthly basis, with any necessary adjustments being made at that time. It is much easier for errors to be found and corrected when there is only a month's worth of activity to review, rather than the entire year.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

**APPENDIX II
MANAGEMENT COMMENTS**

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls		X		
Bank Reconciliations				X