Village of Shelby
Oceana County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

February 28, 2025

Village of Shelby
LIST OF ELECTED AND APPOINTED OFFICIALS
February 28, 2025

ELECTED OFFICIALS

John Sutton ..... Village President

Crystal Heykoop ..... Council Member

Dan Zaverl ..... Council Member

Curt Trott ..... Council Member

Samantha Gottschalk ..... Council Member

Steve Crothers ..... Council Member

Mike Termer ..... Council Member

APPOINTED OFFICIALS

Phil Morse ..... Village Administrator

Crystal Budde ..... Clerk/Treasurer

DEPARTMENT HEADS

Dean Roesler ..... Police Chief

Jeremiah Helenhouse ..... DPW Supervisor

Village of Shelby

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Shelby
Shelby, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Shelby, Michigan, as of and for the year ended February 28, 2025, and the related notes to the financial statements, which collectively comprise the Village of Shelby, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Shelby, Michigan, as of February 28, 2025, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Shelby, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Village of Shelby, 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.

Report on the Audit of the Financial Statements—Continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Shelby, 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 Village of Shelby, 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.

Report on the Audit of the Financial Statements—Continued

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2025, on our consideration of the Village of Shelby, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Shelby, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Shelby, Michigan's internal control over financial reporting and compliance.

Brickley DeLong, P.C.

Hart, Michigan
August 19, 2025

As management of the Village of Shelby (Village), we present to the readers of the Village's financial statements this overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2025. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- Total net position of all governmental activities increased by $1,926,437.
- The General Fund fund balance decreased by $236,042.
- Total net position in the Sewer Fund decreased by $9,649.
- Total net position in the Water Fund increased by $1,070,979.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Village's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the Village's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net position changed during the fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development, and culture and recreation activities. The business-type activities of the Village include water and sewer services.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories-governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all three funds as they are all considered major funds.

Proprietary Funds. The Village has two enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provide separate information for the Water and Sewer funds, both of which are major funds.

Notes to Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budgetary information as it relates to the actual expenditures for the General Fund, Major Streets Fund and Local Streets Fund.

Government-wide Financial Analysis
The first table presented below is a summary of the government-wide statement of net position for the Village. As stated earlier, the net position may be used as an indicator of a government's financial health. As of February 28, 2025, the Village's net position from governmental activities totaled $8,655,754 and $7,804,275 from business-type activities, creating a total government-wide net position total of $16,460,029.

In examining the composition of net position, the reader should note that governmental activities includes net position that is invested in capital assets, net of related debt (i.e., streets, buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Village's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities actually depicts a balance of $865,747. This represents the amount of discretionary resources that can be used for general governmental operations.

For governmental activities, current assets decreased, and noncurrent assets increased due to the start of road improvement and park improvement projects. Current liabilities decreased due to the recognition of American Rescue Plan Act (ARPA) funds received in previous years but expended in the current year.

The business-type activities show a total of $7,804,275 in net position and $1,129,158 in unrestricted net position. The Sewer Fund and Water Fund unrestricted net position are $313,508 and $882,413, respectively.

For business-type activities, capital assets increased due to the continuance of the water main and lead service line replacement projects. Current liabilities remain historically high due to payables related to these projects.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current assets and other assets	$ 3,050,737	$ 3,576,683	$ 2,302,151	$ 2,286,299	$ 5,352,888	$ 5,862,982
Capital assets	5,846,496	3,634,429	9,831,199	9,117,909	15,677,695	12,752,338
Total assets	8,897,233	7,211,112	12,133,350	11,404,208	21,030,583	18,615,320
Current liabilities	203,979	450,295	490,718	568,819	694,697	1,019,114
Noncurrent liabilities	37,500	31,500	2,810,240	3,011,240	2,847,740	3,042,740
Total liabilities	241,479	481,795	3,300,958	3,580,059	3,542,437	4,061,854
Deferred inflows of resources	-	-	1,028,117	1,068,755	1,028,117	1,068,755
Total liabilities and deferred inflows	241,479	481,795	4,329,075	4,648,814	4,570,554	5,130,609
Net position						
Net investment in capital assets	5,846,496	3,634,429	6,577,777	5,912,669	12,424,273	9,547,098
Restricted	1,943,511	2,044,813	97,340	96,087	2,040,851	2,140,900
Unrestricted	865,747	1,050,075	1,129,158	746,638	1,994,905	1,796,713
Total net position	**$ 8,655,754**	**$ 6,729,317**	**$ 7,804,275**	**$ 6,755,394**	**$ 16,460,029**	**$ 13,484,711**

Governmental Activities

Net position of governmental activities increased by $1,926,437 (29%) during the 2025 fiscal year. Capital grants and contributions increased due to grants for the Getty Park improvement project and resurfacing projects. Unrestricted grants and contributions increased due to the recognition of ARPA funds expended in the current year. Public safety expenditures increased due to purchasing new radios and contracting a seasonal officer through the county. Public works expenditures increased due to more snow during the winter and additional street lights for new subdivisions. Culture and recreation expenditures increased due to depreciation expense for the park improvement project placed in service during the year. The following table shows these results.

Business-type Activities

At the end of the fiscal year, the net position for business-type activities increased by $1,048,881 (16%). Capital grants decreased but continue to be high due to grants for the water main and lead service line replacement and lift station and well projects finishing during the year. Miscellaneous revenues and water expenditures increased due to new water meters installed in a new subdivision and the related reimbursement. Sewer expenditures increased sue to addition requirements from the Department of Environment, Great Lakes, and Energy and depreciation expense for the lift station project placed in service during the year. The following table shows these results.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues						
Charges for services	$ 34,488	$ 30,937	$ 805,284	$ 787,373	$ 839,772	$ 818,310
Operating grants	400,065	385,246	-	-	400,065	385,246
Capital grants	1,440,476	297,631	1,124,678	2,592,516	2,565,154	2,890,147
General revenues						
Property taxes	540,834	503,994	-	-	540,834	503,994
Grants and contributions not restricted	514,820	311,200	-	-	514,820	311,200
Unrestricted investment earnings	131,404	161,977	44,651	46,975	176,055	208,952
Gain (loss) on sale of capital assets	1,401	-	-	-	1,401	-
Miscellaneous	14,139	14,400	141,047	107,238	155,186	121,638
Total revenues	3,077,627	1,705,385	2,115,660	3,534,102	5,193,287	5,239,487
Expenses:						
General government	175,263	160,790	-	-	175,263	160,790
Public safety	320,877	219,442	-	-	320,877	219,442
Public works	514,884	451,678	-	-	514,884	451,678
Community and economic development	45,867	4,732	-	-	45,867	4,732
Culture and recreation	94,299	55,993	-	-	94,299	55,993
Sewer	-	-	525,000	418,315	525,000	418,315
Water	-	-	541,779	342,804	541,779	342,804
Total expenses	1,151,190	892,635	1,066,779	761,119	2,217,969	1,653,754
Change in net position	1,926,437	812,750	1,048,881	2,772,983	2,975,318	3,585,733
Net position - Beginning	6,729,317	5,916,567	6,755,394	3,982,411	13,484,711	9,898,978
Net position - Ending	**$ 8,655,754**	**$ 6,729,317**	**$ 7,804,275**	**$ 6,755,394**	**$ 16,460,029**	**$ 13,484,711**

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2025 fiscal year, the Village governmental funds reported a combined unassigned fund balance of $619,243, all of which is in the General Fund. The remainder of the fund balance is nonspendable for prepaid items or restricted for streets and highways.

The General Fund is the chief operating fund of the Village. The General Fund ended the year with a total fund balance of $634,647, a decrease of $236,042 from the prior fiscal year. The health of the General fund may be measured by the ratio of unassigned fund balance to annual expenditures and transfers. Unassigned fund balance represents 89% of the General Fund's expenditures, excluding capital outlay (157% in the prior year).

Proprietary Funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the Sewer Fund decreased by $9,649 and increased by $1,070,979 in the Water Fund.

General Fund Budget
At various times throughout any budget year, budget amendments are needed to reflect changing financial conditions and changes to financial policy.

The Village made several budget amendments through the year, primarily related to capital outlay and related grants. However, none were significant.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Other general governmental revenues were underbudget by $107,052 due to lower than expected donations for the Getty Park improvement.
- Public safety expenditures were under budget by $77,274 due to an open full-time position for the entire year.

Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2025 totaled $15,677,695 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset purchases during the current fiscal year included the following:

- Various Getty Park improvements for $1,894,871
- Lift station for $938,713
- 1st Street improvements for $110,995
- Drinking water infrastructure project for $1,237,045, total between Water Fund and Major and Local Street funds

Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 199,649	$ 199,649	$ 267,473	$ 267,473	$ 467,122	$ 467,122
Construction in progress	1,442,781	1,386,000	4,381,674	4,380,775	5,824,455	5,766,775
Buildings and improvements	150,491	122,115	-	-	150,491	122,115
Land improvements	2,236,345	28,608	-	-	2,236,345	28,608
Infrastructure	1,589,196	1,616,757	-	-	1,589,196	1,616,757
Plant and systems	-	-	5,182,052	4,469,661	5,182,052	4,469,661
Vehicles and equipment	228,034	281,300	-	-	228,034	281,300
Total	**$ 5,846,496**	**$ 3,634,429**	**$ 9,831,199**	**$ 9,117,909**	**$ 15,677,695**	**$ 12,752,338**

Additional information on the Village's capital assets can be found in Note F of the "Notes to the Financial Statements" of this report.

Long-term Liabilities

At the end of the 2025 fiscal year, the Village had total outstanding debt of $3,061,240 consisting of revenue bonds and compensated absences. Revenue bonds represent $3,011,240 of the Village's outstanding debt as shown in the table below. The payment of this debt service is anticipated through the revenues generated from sewer services in the enterprise funds.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Compensated absences	$ 50,000	$ 42,000	$ -	$ -	$ 50,000	$ 42,000
Revenue bonds	-	-	3,011,240	3,205,240	3,011,240	3,205,240
Total	**$ 50,000**	**$ 42,000**	**$ 3,011,240**	**$ 3,205,240**	**$ 3,061,240**	**$ 3,247,240**

Additional information on the Village's long-term liabilities can be found in Note G of the "Notes to the Financial Statements" of this report.

General Economic Overview

The General Fund has two primary sources of revenue – property taxes and state revenue sharing. The Village anticipates small increases in both in fiscal year 2025-26 due to a rise in taxable value and action by the State to increase state revenue sharing to all local units of government. However, the cost of goods and services is expected to remain high. The Village's strong financial position will be beneficial to maintain existing Village services, but spending will continue to be monitored closely.

Several major capital improvement projects that were ongoing in this fiscal year will be completed in fiscal year 2025-26.

The Village closed on its EGLE Drinking Water State Revolving Fund (DWSRF) bonds for lead service line replacement and water main replacement this fiscal year. Construction on the lead service lines and water main began summer 2023. The Village will have several roads resurfaced after the water main is installed. After grants, loan forgiveness, and cash contributions, the Village's 20-year DWSRF bond payments will be $72,147 per year, on average. The roadwork is being paid using Major and Local Streets fund balances.

Due to the investment in these infrastructure improvements, the Village is planning for some funds to see a planned decrease in their respective fund balances. The Major Street Fund is estimated to decrease by $809,030 and the Local Street Fund is estimated to decrease by $490,180 in fiscal year 2025-26.

Request for Information

This financial report is designed to provide a general overview of the Village of Shelby's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Village of Shelby, 218 N. Michigan Ave., Shelby, Michigan 49455, or telephone 231-861-4400.

Village of Shelby
STATEMENT OF NET POSITION
February 28, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	$ 2,688,638	$ 1,069,600	$ 3,758,238
Receivables			
Accounts	36,678	116,488	153,166
Leases	-	43,000	43,000
Due from other governmental units	206,576	-	206,576
Internal balances	66,763	(66,763)	-
Inventories	-	52,269	52,269
Prepaid items	52,082	-	52,082
Total current assets	3,050,737	1,214,594	4,265,331
Noncurrent assets			
Restricted cash and investments	-	102,440	102,440
Leases receivable, less amounts due within one year	-	985,117	985,117
Capital assets, net			
Nondepreciable	1,642,430	4,649,147	6,291,577
Depreciable	4,204,066	5,182,052	9,386,118
Total noncurrent assets	5,846,496	10,918,756	16,765,252
Total assets	8,897,233	12,133,350	21,030,583
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	191,479	289,718	481,197
Bonds and other obligations, due within one year	12,500	201,000	213,500
Total current liabilities	203,979	490,718	694,697
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	37,500	2,810,240	2,847,740
Total liabilities	241,479	3,300,958	3,542,437
DEFERRED INFLOWS OF RESOURCES			
Related to leases	-	1,028,117	1,028,117
Total liabilities and deferred inflows of resources	241,479	4,329,075	4,570,554
NET POSITION			
Net investment in capital assets	5,846,496	6,577,777	12,424,273
Restricted			
Streets	1,943,511	-	1,943,511
Debt service	-	97,340	97,340
Unrestricted	865,747	1,129,158	1,994,905
Total net position	**$ 8,655,754**	**$ 7,804,275**	**$ 16,460,029**

The accompanying notes are an integral part of this statement.

Village of Shelby
STATEMENT OF ACTIVITIES
For the year ended February 28, 2025

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities							
General government	$ 175,263	$ 24,000	$ -	$ -	$ (151,263)	$ -	$ (151,263)
Public safety	320,877	-	3,732	-	(317,145)	-	(317,145)
Public works	514,884	-	396,333	-	(118,551)	-	(118,551)
Community and economic development	45,867	5,155	-	-	(40,712)	-	(40,712)
Culture and recreation	94,299	50	-	1,440,476	1,346,227	-	1,346,227
Total governmental activities	1,151,190	29,205	400,065	1,440,476	718,556	-	718,556
Business-type activities							
Sewer	525,000	455,765	-	14,102	-	(55,133)	(55,133)
Water	541,779	349,519	-	1,110,576	-	918,316	918,316
Total business-type activities	1,066,779	805,284	-	1,124,678	-	863,183	863,183
Total government	**$ 2,217,969**	**$ 834,489**	**$ 400,065**	**$ 2,565,154**	718,556	863,183	1,581,739
General revenues							
Property taxes, levied for							
General purposes					391,525	-	391,525
Specific purposes					154,592	-	154,592
Grants and contributions not restricted to specific programs					514,820	-	514,820
Unrestricted investment earnings					131,404	44,651	176,055
Gain on sale of capital assets					1,401	-	1,401
Miscellaneous					14,139	141,047	155,186
Total general revenues					1,207,881	185,698	1,393,579
Change in net position					1,926,437	1,048,881	2,975,318
Net position at beginning of year					6,729,317	6,755,394	13,484,711
Net position at end of year					**$8,655,754**	**$ 7,804,275**	**$16,460,029**

The accompanying notes are an integral part of this statement.

Village of Shelby
BALANCE SHEET
Governmental Funds
February 28, 2025

	General Fund	Major Streets Fund	Local Streets Fund	Total Governmental Funds
ASSETS				
Cash and investments	$ 526,435	$ 1,104,831	$ 838,063	$ 2,469,329
Property taxes receivable	26,348	-	10,330	36,678
Due from other governmental units	151,271	41,672	13,633	206,576
Prepaid items	-	52,082	-	52,082
Total assets	**$ 704,054**	**$ 1,198,585**	**$ 862,026**	**$ 2,764,665**
LIABILITIES				
Accounts payable	$ 63,820	$ 40,097	$ 74,888	$ 178,805
Accrued liabilities	5,587	1,058	1,057	7,702
Total liabilities	69,407	41,155	75,945	186,507
FUND BALANCES				
Nonspendable - prepaid items	-	52,082	-	52,082
Restricted for streets	-	1,105,348	786,081	1,891,429
Assigned to subsequent year's budget appropriation of fund balance	15,404	-	-	15,404
Unassigned	619,243	-	-	619,243
Total fund balances	634,647	1,157,430	786,081	2,578,158
Total liabilities, deferred inflows of resources, and fund balances	**$ 704,054**	**$ 1,198,585**	**$ 862,026**	**$ 2,764,665**

The accompanying notes are an integral part of this statement.

Village of Shelby

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

February 28, 2025

Total fund balances—governmental funds		$ 2,578,158
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Cost of capital assets	$ 8,922,359	
Accumulated depreciation	(3,303,897)	5,618,462
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences		(50,000)
The internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are reported with governmental activities in the Statement of Net Position.		
Net position of the internal service fund	442,371	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	66,763	509,134
Net position of governmental activities		**$ 8,655,754**

The accompanying notes are an integral part of this statement.

Village of Shelby

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Governmental Funds

For the year ended February 28, 2025

	General Fund	Major Streets Fund	Local Streets Fund	Total Governmental Funds
REVENUES				
Property taxes	$ 391,525	$ -	$ 154,592	$ 546,117
Licenses and permits	5,155	-	-	5,155
Intergovernmental revenues				
Federal	1,530,966	-	-	1,530,966
State	301,568	306,515	100,364	708,447
Charges for services	24,050	-	-	24,050
Fines and forfeitures	92	-	-	92
Investment earnings	22,863	49,966	47,437	120,266
Other	129,097	449	449	129,995
Total revenues	2,405,316	356,930	302,842	3,065,088
EXPENDITURES				
Current				
General government	179,096	-	-	179,096
Public safety	297,511	-	-	297,511
Public works	119,551	111,351	97,251	328,153
Community and economic development	45,867	-	-	45,867
Culture and recreation	55,110	-	-	55,110
Capital outlay	1,944,223	262,362	241,860	2,448,445
Total expenditures	2,641,358	373,713	339,111	3,354,182
Net change in fund balances	(236,042)	(16,783)	(36,269)	(289,094)
Fund balances at beginning of year	870,689	1,174,213	822,350	2,867,252
Fund balances at end of year	**$ 634,647**	**$ 1,157,430**	**$ 786,081**	**$ 2,578,158**

The accompanying notes are an integral part of this statement.

Village of Shelby

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the year ended February 28, 2025

Net change in fund balances—total governmental funds		$ (289,094)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	$ (183,112)	
Capital outlay	2,448,445	2,265,333
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.		
Change in compensated absences		(8,000)
The internal service fund is used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service fund are reported with governmental activities.		
Change in net position of the internal service fund	(54,251)	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	12,449	(41,802)
Change in net position of governmental activities		**$ 1,926,437**

The accompanying notes are an integral part of this statement.

Village of Shelby
STATEMENT OF NET POSITION
Proprietary Funds
February 28, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
ASSETS				
Current assets				
Cash and investments	$ 255,945	$ 813,655	$ 1,069,600	$ 219,309
Receivables				
Accounts	73,550	42,938	116,488	-
Leases	-	43,000	43,000	-
Inventories	1,069	51,200	52,269	-
Total current assets	330,564	950,793	1,281,357	219,309
Noncurrent assets				
Restricted cash and investments	102,440	-	102,440	-
Leases receivable, less amounts due within one year	-	985,117	985,117	-
Capital assets				
Land	267,473	-	267,473	-
Construction in progress	-	4,381,674	4,381,674	-
Plants and systems	5,940,522	2,695,550	8,636,072	-
Equipment and furniture	-	-	-	643,035
Less accumulated depreciation	(2,233,188)	(1,220,832)	(3,454,020)	(415,001)
Net capital assets	3,974,807	5,856,392	9,831,199	228,034
Total noncurrent assets	4,077,247	6,841,509	10,918,756	228,034
Total assets	4,407,811	7,792,302	12,200,113	447,343
LIABILITIES				
Current liabilities				
Accounts payable	15,019	257,272	272,291	4,284
Accrued liabilities	7,137	10,290	17,427	688
Bonds and other obligations, due within one year	146,000	55,000	201,000	-
Total current liabilities	168,156	322,562	490,718	4,972
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	1,769,000	1,041,240	2,810,240	-
Total liabilities	1,937,156	1,363,802	3,300,958	4,972
DEFERRED INFLOWS OF RESOURCES				
Related to leases	-	1,028,117	1,028,117	-
Total liabilities and deferred inflows of resources	1,937,156	2,391,919	4,329,075	4,972
NET POSITION				
Net investment in capital assets	2,059,807	4,517,970	6,577,777	228,034
Restricted for debt service	97,340	-	97,340	-
Unrestricted	313,508	882,413	1,195,921	214,337
Total net position	**$ 2,470,655**	**$ 5,400,383**	7,871,038	**$ 442,371**
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time			(66,763)	
Net position of business-type activities			**$ 7,804,275**	

The accompanying notes are an integral part of this statement.

Village of Shelby
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the year ended February 28, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
OPERATING REVENUES				
Charges for services	$ 455,765	$ 349,519	$ 805,284	$ 81,498
Other	21,765	119,282	141,047	8,160
Total operating revenues	477,530	468,801	946,331	89,658
OPERATING EXPENSES				
Operations and administration	325,056	460,840	785,896	103,182
Depreciation	151,613	54,312	205,925	53,266
Total operating expenses	476,669	515,152	991,821	156,448
Operating income (loss)	861	(46,351)	(45,490)	(66,790)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	17,780	26,871	44,651	11,138
Connection fees	300	5,900	6,200	-
Gain (loss) on sale of capital assets	(11,000)	(9,397)	(20,397)	1,401
Capital grants and contributions	13,802	1,104,676	1,118,478	-
Interest expense	(31,392)	(10,720)	(42,112)	-
Total nonoperating revenue (expenses)	(10,510)	1,117,330	1,106,820	12,539
Change in net position	(9,649)	1,070,979	1,061,330	(54,251)
Net position at beginning of year	2,480,304	4,329,404		496,622
Net position at end of year	**$ 2,470,655**	**$ 5,400,383**		**$ 442,371**
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds			(12,449)	
Change in net position of business-type activities			**$ 1,048,881**	

The accompanying notes are an integral part of this statement.

Village of Shelby
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended February 28, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 473,710	$ 473,034	$ 946,744	$ -
Receipts from interfund services provided	-	-	-	89,658
Payments to suppliers	(236,905)	(329,859)	(566,764)	(66,682)
Payments to employees	(92,734)	(114,868)	(207,602)	(22,843)
Payment for interfund services used	(10,847)	(16,343)	(27,190)	(12,000)
Net cash provided by (used for) operating activities	133,224	11,964	145,188	(11,867)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	300	5,900	6,200	-
Capital contributions	81,941	1,119,276	1,201,217	-
Purchases of capital assets	(24,455)	(973,066)	(997,521)	-
Principal paid on capital debt	(144,000)	(50,000)	(194,000)	-
Interest paid on capital debt	(31,792)	(11,820)	(43,612)	-
Proceeds from disposal of capital assets	-	-	-	1,401
Net cash provided by (used for) capital and related financing activities	(118,006)	90,290	(27,716)	1,401
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	17,780	26,871	44,651	11,138
Net increase (decrease) in cash and investments	32,998	129,125	162,123	672
Cash and investments at beginning of year	325,387	684,530	1,009,917	218,637
Cash and investments at end of year	**$ 358,385**	**$ 813,655**	**$ 1,172,040**	**$ 219,309**
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	$ 255,945	$ 813,655	$ 1,069,600	$ 219,309
Restricted cash and investments	102,440	-	102,440	-
	$ 358,385	**$ 813,655**	**$ 1,172,040**	**$ 219,309**
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	$ 861	$ (46,351)	$ (45,490)	$ (66,790)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation expense	151,613	54,312	205,925	53,266
Change in assets and liabilities				
Accounts receivable	(3,820)	4,233	413	-
Inventories	15	10,016	10,031	-
Accounts payable	(16,172)	(11,278)	(27,450)	1,232
Accrued liabilities	727	1,032	1,759	425
Net cash provided by (used for) operating activities	**$ 133,224**	**$ 11,964**	**$ 145,188**	**$ (11,867)**

The accompanying notes are an integral part of this statement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Shelby (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

Reporting Entity
The Village is a home rule village governed by an elected seven member council with an elected President. Generally accepted accounting principles require that if the Village is considered to be financially accountable for other organizations, those organizations should be included as component units in the Village's financial statements. Since no organizations met this criterion, none are included in the financial statements.

Basis of Presentation—Government-wide and Fund Financial Statements
The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information activities of the Village. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the Village's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Village's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the Village's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund and Local Street Fund account for money distributed by the State of Michigan for construction and maintenance of streets within the Village. The Local Streets Fund also has a voted property tax millage.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued

The Village reports the following major proprietary funds:

The Sewer Fund operates the Village's sewage pumping station, collection systems, and treatment systems.

The Water Fund operates the Village's water distribution system.

Additionally, the Village reports the following fund types:

The Internal Service Fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

During the course of operations the Village has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus and Basis of Accounting—Continued

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Village are reported at fair value (generally based on quoted market prices).

The Village has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Village to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Inventories and Prepaid Items
All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased in the business-type activities.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Leases Receivable
The Village is a lessor for certain noncancelable leases. The Village recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements for each lease.

At the commencement of a lease, the Village initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Village determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The Village uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Village monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets
Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 two years.

As the Village constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets—Continued
Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the Village are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Years
Buildings and improvements	20-40
Land Improvements	15-20
Infrastructure	20
Plants and systems	10-100
Vehicles and equipment	5-10

Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Net 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the Village in which the Village is the lessor. These amounts are recognized as revenue over the term of the lease agreements.

Net Position Flow Assumption
Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions
Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Village itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the Village that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Reserve level minimums and maximums are shown as a percentage of the most recent audited fiscal year-end expenditures. Water and Sewer Fund balances include the percentage as well as one annual debt service payment if applicable. Because nonspendable and restricted fund balances are not available for spending due to external conditions, this fund balance policy is focused on the appropriate level of funds classified as committed, assigned, and unassigned. Existing fund balances and reserve targets will fluctuate annually. These annual changes will be approved as part of the annual budget process. Minimum and maximum fund balances are calculated using the percentages of expenditures below:

	Minimum	Maximum
General Fund	50%	150%
Major Streets Fund	70%	200%
Local Streets Fund	70%	200%
Sewer Fund	30% + Debt	100% + Debt
Water Fund	30% + Debt	100% + Debt
Internal Service Fund	100%	N/A

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes
All trade and property tax receivables are shown net of allowance for uncollectibles.

The Village bills and collects its own property taxes. Taxes are levied and liened on July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following September 15 are turned over by the Village to the County for collection. The County advances the Village all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Village. The Village recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2024 state taxable value for real/personal property of the Village totaled approximately $36,885,000. The ad valorem taxes levied consisted of 10.2619 mills for operation and 4.1046 mills for local streets. These amounts are recognized in the respective General Fund and Local Streets Fund.

Compensated Absences
Village employees are granted paid time off (PTO) in varying amounts based on length of service. Accumulated PTO leave must be taken in the current calendar year. Upon termination, employees are paid for unused PTO at their current rates. PTO is accumulated each payroll for employees. Unused PTO is paid to employees who resign or retire, up to a maximum of 396 hours. The Village recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences includes salary and related benefits, where applicable.

Proprietary Funds Operating and Nonoperating Revenues and Expenses
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The Village's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Village Council. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

NOTE C—DEPOSITS AND INVESTMENTS

As of February 28, 2025, the Village had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)	S&P	Percent
External investment pool	**$ 2,556,948**	**88**	**AAAm**	**100.0%**

The Village voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of "qualified investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Village's investments is the same as the value of the Pool's shares.

Deposit and Investment Risks

Interest Rate Risk
The Village limits investments to instruments maturing within twelve months of purchase as a means of managing its exposure to fair value losses arising from increasing interest rates. Any investments with longer maturities require approval of the Village Council before purchase.

Credit Risk
State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices.

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Concentration of Credit Risk
The Village does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Village 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. The Village does not have any investments exposed to concentration of credit risk.

Custodial Credit Risk – Deposits
In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of February 28, 2025, approximately $920,000 of the Village's bank balance of approximately $1,346,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments
Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investment policy sets certain requirements for financial institutions to be eligible to do business with the Village as a means to limit its risk.

Foreign Currency Risk
The Village is not authorized to invest in investments which have this type of risk.

Restricted Cash
Restrictions are placed on assets by bond ordinance and Village Council action. At February 28, 2025, cash is restricted as follows:

Sewer Fund	
Bond and interest redemption fund	**$ 102,440**

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Village has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at February 28, 2025.

External investment pool: The assets are valued based upon the Village's allocable share of the Michigan CLASS (Pool) pooled investment portfolios. The allocable shares are based on the value of the underlying assets owned by the Pool, minus their liabilities.

The assets managed by others are valued monthly by the Pool and are allocated based upon each organization's calculated share of the Pool's pooled investment portfolios. Each entity with an interest within the pooled investments receives statements from the Pool indicating the additions to the investments (via contributions), withdrawals from the investments, and the investment returns allocated via a unitization process. The Village calculates the fair value of its share of the pooled investment assets held by the Pool based on the estimated fair value of the underlying assets. The Pool control the investments and make all management and investment decisions.

NOTE D—FAIR VALUE MEASUREMENTS—Continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Village believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Village's assets at fair value on a recurring basis as of February 28, 2025:

	Assets at Fair Value as of February 28, 2025			
	Level 1	**Level 2**	**Level 3**	**Total**
External investment pool	**$ -**	**$ 2,556,948**	**$ -**	**$ 2,556,948**

NOTE E—LEASES RECEIVABLE

The Village leases the right to use space on various water towers for cell phone antennas to third parties. The leases are generally for 5 years and the Village receives monthly payments totaling approximately $3,400, increasing 3 percent each year. One of the leases has 3 automatic renewals through 2038 and the other lease has 4 automatic renewal through 2043. The Village recognized $40,029 in lease revenue and $16,806 in interest revenue during the year ended February 28, 2025. The Village has deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of February 28, 2025, the balance of the deferred inflow of resources was $1,028,117.

The future minimum payments to be received for these leases are as follows:

Year Ending February 28,	**Business-type Activities**	
	Principal	**Interest**
2026	$ 43,000	$ 16,100
2027	45,500	15,400
2028	48,100	14,700
2029	50,800	13,900
2030	53,500	13,100
2031-2035	313,000	51,200
2036-2040	315,400	24,000
2041-2044	158,817	4,881
	$ 1,028,117	**$ 153,281**

NOTE F—CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2025 was as follows:

	Balance March 1, 2024	Additions	Deductions	Balance February 28, 2025
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 199,649	$ -	$ -	$ 199,649
Construction in progress	1,386,000	2,399,090	2,342,309	1,442,781
Total capital assets, not being depreciated	1,585,649	2,399,090	2,342,309	1,642,430
Capital assets, being depreciated:				
Buildings and improvements	629,448	38,174	-	667,622
Land improvements	33,653	2,242,495	-	2,276,148
Infrastructure	4,225,164	110,995	-	4,336,159
Vehicles and equipment	841,388	-	198,353	643,035
Total capital assets, being depreciated	5,729,653	2,391,664	198,353	7,922,964
Less accumulated depreciation:				
Buildings and improvements	507,333	9,798	-	517,131
Land improvements	5,045	34,758	-	39,803
Infrastructure	2,608,407	138,556	-	2,746,963
Vehicles and equipment	560,088	53,266	198,353	415,001
Total accumulated depreciation	3,680,873	236,378	198,353	3,718,898
Total capital assets, being depreciated, net	2,048,780	2,155,286	-	4,204,066
Capital assets, net	**$ 3,634,429**	**$ 4,554,376**	**$ 2,342,309**	**$ 5,846,496**

NOTE F—CAPITAL ASSETS—Continued

	Balance March 1, 2024	Additions	Deductions	Balance February 28, 2025
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 267,473	$ -	$ -	$ 267,473
Construction in progress	4,380,775	939,612	938,713	4,381,674
Total capital assets, not being depreciated	4,648,248	939,612	938,713	4,649,147
Capital assets, being depreciated:				
Plants and systems	7,822,688	938,713	125,329	8,636,072
Less accumulated depreciation	(3,353,027)	(205,925)	(104,932)	(3,454,020)
Total capital assets, being depreciated, net	4,469,661	732,788	20,397	5,182,052
Capital assets, net	**$ 9,117,909**	**$ 1,672,400**	**$ 959,110**	**$ 9,831,199**

Depreciation expense has been charged to functions as follows:

Government activities:	
General government	$ 6,468
Public safety	232
Public works	141,655
Culture and recreation	34,757
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	53,266
	$ 236,378
Business-type activities:	
Sewer	$ 151,613
Water	54,312
	$ 205,925

NOTE G—LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity for the Village for the year ended February 28, 2025:

	Balance March 1, 2024	Additions	Reductions	Balance February 28, 2025	Due Within One Year
Governmental activities:					
Compensated absences*	**$ 42,000**	**$ 8,000**	**$ -**	**$ 50,000**	**$ 12,500**
Business-type activities:					
Direct borrowings and direct placements					
Revenue bonds	**$ 3,205,240**	**$ -**	**$ 194,000**	**$ 3,011,240**	**$ 201,000**

*The change in the compensated absences liability is presented as a net change.

The business-type activities direct borrowings and direct placements are comprised of revenue bonds. They are not backed by the full faith and credit of the Village.

	Interest Rate	Date of Maturity	Balance
Business-type activities:			
Direct borrowings and direct placements Revenue bonds:			
Revenue bonds:			
Drinking Water State Revolving Fund Revenue Bonds, Series 2022A	1.88%	October 2042	$ 1,011,240
Drinking Water State Revolving Fund Revenue Bonds, Series 2022B	1.88%	October 2041	85,000
Sewage Disposal System Revenue Refunding Bonds, Series 2022	1.6%	February 2037	1,915,000
			$ 3,011,240

The Village was in compliance in all material respects with all the revenue bond ordinances at February 28, 2025.

NOTE G—LONG-TERM LIABILITIES—Continued

Annual debt service to maturity for direct borrowings and direct placements outstanding as of February 28, 2025 follow:

Year Ending February 28,	Business-type Activities: Direct Borrowings and Direct Placements — Principal	Interest
2026	$ 201,000	$ 50,027
2027	203,000	46,643
2028	206,000	43,220
2029	208,000	39,757
2030	211,000	36,252
2031-2035	1,111,000	126,760
2036-2040	665,000	43,066
2041-2043	206,240	7,664
	$ 3,011,240	**$ 393,389**

NOTE H—OTHER INFORMATION

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village manages its liability and property risk by participating in Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Village manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The Village pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Village carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H—OTHER INFORMATION—Continued

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

NOTE I—PENSION PLAN

Defined Contribution Pension Plan

The Village maintains a defined contribution plan offered by MERS for its full-time employees.

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the Village Council. Under the Plan, eligible employee contributions to the deferred compensation plan of up to 5 percent are matched by the Village in the defined contribution plan. Qualified employees are not required to contribute to the Plan. For the year ended February 28, 2025, Village matching contributions were $25,459.

Employees hired prior to January 1, 2022, are immediately invested in Village contributions and earnings on Village contributions. Employees hired after January 1, 2022 become vested in Village contributions and earnings on Village contributions after completion of four years of qualified service to the Village. Nonvested Village contributions are forfeited upon termination of employment. Such forfeitures are used to reduce Village contributions. For the year ended February 28, 2025 there were no forfeitures.

At February 28, 2025, the Village did not have a liability to the Plan.

Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE J—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 13 percent of General Fund revenues.

NOTE K—COMMITMENTS

New Water Supply Well Purchase and Installation
Prior to the year ended February 28, 2025, the Village entered into a contract to purchase and install a new water supply well for a total of $218,300. The project is being paid using the Water Fund. As of February 28, 2025, the remaining contract is $16,100.

Road Work for Various Major and Local Roads
During the year ended February 28, 2025, the Village entered into contracts for various road infrastructure projects totaling $1,042,000 to be completed during the subsequent fiscal year. These projects will be paid using the Major and Local Street funds.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Shelby
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended February 28, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 378,251	$ 392,805	$ 391,525	$ (1,280)
Licenses and permits	500	5,155	5,155	-
Intergovernmental revenues				
Federal	1,499,034	1,542,998	1,530,966	(12,032)
State	284,701	288,226	301,568	13,342
Charges for services	24,000	24,050	24,050	-
Fines and forfeitures	700	700	92	(608)
Investment earnings	32,280	32,280	22,863	(9,417)
Other	228,050	236,149	129,097	(107,052)
Total revenues	2,447,516	2,522,363	2,405,316	(117,047)
EXPENDITURES				
Current				
General government				
Village council	17,926	17,926	14,043	3,883
Village administrator	29,617	39,252	32,051	7,201
Clerk	23,161	23,161	23,478	(317)
Treasurer	14,161	14,161	13,610	551
Village hall/grounds	16,000	16,000	12,037	3,963
Other general government	72,075	80,327	83,877	(3,550)
Public safety				
Police department	374,785	374,785	297,511	77,274
Public works				
Department of public works	106,937	114,937	119,551	(4,614)
Community and economic development				
Planning	2,400	2,400	1,917	483
Other	40,000	43,950	43,950	-
Culture and recreation				
Parks	72,450	61,270	55,110	6,160
Capital outlay	1,665,727	1,950,037	1,944,223	5,814
Total expenditures	2,435,239	2,738,206	2,641,358	96,848
Net change in fund balance	**$ 12,277**	**$ (215,843)**	(236,042)	**$ (20,199)**
Fund balance at beginning of year			870,689	
Fund balance at end of year			**$ 634,647**	

Village of Shelby
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended February 28, 2025

	Budgeted Amounts			Variance with
	Original	**Final**	**Actual**	**Final Budget**
REVENUES				
Intergovernmental revenues - State	$ 270,000	$ 304,113	$ 306,515	$ 2,402
Investment earnings	45,000	46,517	49,966	3,449
Other	-	449	449	-
Total revenues	315,000	351,079	356,930	5,851
EXPENDITURES				
Current				
Public works				
Maintenance	43,020	44,420	44,036	384
Traffic services	15,750	15,750	8,337	7,413
Winter maintenance	46,735	46,735	27,811	18,924
Administration	33,766	41,848	31,167	10,681
Capital outlay	482,277	482,277	262,362	219,915
Total expenditures	621,548	631,030	373,713	257,317
Net change in fund balance	**$ (306,548)**	**$ (279,951)**	(16,783)	**$ 263,168**
Fund balance at beginning of year			1,174,213	
Fund balance at end of year			**$ 1,157,430**	

Village of Shelby
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Local Streets Fund
For the year ended February 28, 2025

	Budgeted Amounts			Variance with
	Original	**Final**	**Actual**	**Final Budget**
REVENUES				
Property taxes	$ 165,000	$ 167,416	$ 154,592	$ (12,824)
Intergovernmental revenues - State	123,800	123,800	100,364	(23,436)
Investment earnings	45,000	45,000	47,437	2,437
Other	-	450	449	(1)
Total revenues	333,800	336,666	302,842	(33,824)
EXPENDITURES				
Current				
Public works				
Maintenance	43,340	43,340	39,275	4,065
Traffic services	9,750	9,750	768	8,982
Winter maintenance	46,960	46,960	25,987	20,973
Administration	33,610	41,692	31,221	10,471
Capital outlay	481,952	481,952	241,860	240,092
Total expenditures	615,612	623,694	339,111	284,583
Net change in fund balance	**$ (281,812)**	**$ (287,028)**	(36,269)	**$ 250,759**
Fund balance at beginning of year			822,350	
Fund balance at end of year			**$ 786,081**	