VILLAGE OF ELBERTA, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED FEBRUARY 28, 2026

GABRIDGE & CO

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Village Council
Village of Elberta, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elberta (the "Village") as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the Village'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, as of February 28, 2026, 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 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'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.

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'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'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, as listed in the table of contents, 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 10, 2026, on our consideration of the Village'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'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's internal control over financial reporting and compliance.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, Michigan
August 10, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Elberta
Management's Discussion and Analysis
February 28, 2026

As management of the Village of Elberta, Michigan (the "Village" or "government"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2026. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by $8,828,615 (net position). Of this amount, $605,244 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

- During the year, the Village received $1,147,746 in revenues and had $1,096,211 in expenses, resulting in an increase in net position of $51,535.

- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of $605,432, a decrease of $64,381 in comparison with the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $123,060, or approximately 24.8% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Village's assets and liabilities, with the difference 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., depreciation expense related to long-term assets).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, streets, community and economic development, and recreation and culture. 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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-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 near-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 between *governmental funds* and *governmental activities.*

The Village maintains five 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 the general fund, major streets fund, local streets fund, and municipal streets fund, which are considered to be major funds.

The Village adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds. The Village maintains two proprietary funds, or *enterprise 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 and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the Village.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's budgetary comparison schedules.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements. The combining statements are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by $8,828,615 at the close of the most recent fiscal year.

Village of Elberta's Net Position

	Governmental Activities		Business-type Activities		Total Government	
ASSETS	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Current Assets						
Cash and Investments	$ 783,386	$ 669,831	$ 278,464	$ 447,368	$ 1,061,850	$ 1,117,199
Accounts Receivable	2,585	2,037	43,805	34,383	46,390	36,420
Due from Other Governmental Units	15,609	21,781	-	93,487	15,609	115,268
Total Current Assets	801,580	693,649	322,269	575,238	1,123,849	1,268,887
Noncurrent Assets						
Restricted Cash	-	-	202,800	179,530	202,800	179,530
Capital Assets not being Depreciated	289,131	998,083	-	4,895,114	289,131	5,893,197
Capital Assets being Depreciated, net	1,475,809	670,414	8,059,930	3,255,814	9,535,739	3,926,228
Total Assets	2,566,520	2,362,146	8,584,999	8,905,696	11,151,519	11,267,842
LIABILITIES						
Current Liabilities						
Accounts Payable	7,944	19,044	4,848	105,527	12,792	124,571
Payroll Liabilities	9,605	4,792	445	922	10,050	5,714
Accrued Interest Payable	-	-	13,391	13,701	13,391	13,701
Current Portion of Long-term Debt	-	-	60,329	60,105	60,329	60,105
Internal Balances	178,599	-	(178,599)	-	-	-
Total Current Liabilities	196,148	23,836	(99,586)	180,255	96,562	204,091
Noncurrent Liabilities						
Long-term Debt	-	-	2,226,342	2,286,671	2,226,342	2,286,671
Total Liabilities	196,148	23,836	2,126,756	2,466,926	2,322,904	2,490,762
NET POSITION						
Net Investment in Capital Assets	1,764,940	1,668,497	5,773,259	5,804,152	7,538,199	7,472,649
Restricted	482,372	540,878	202,800	179,530	685,172	720,408
Unrestricted	123,060	128,935	482,184	455,088	605,244	584,023
Total Net Position	$ 2,370,372	$ 2,338,310	$ 6,458,243	$ 6,438,770	$ 8,828,615	$ 8,777,080

The largest portion of the Village's net position (85.4%, or $7,538,199) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position (7.8%, or $685,172) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $605,244, or 6.9% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the previously audited fiscal year.

During the fiscal year, the Village's total assets decreased by approximately $116,000, largely due to a $55,000 decrease in cash and investments and a $100,000 decrease in due from other governmental units. This decrease was primarily driven by continued investment in the Village's water system improvement project and the Elberta Beach improvement project. Although these capital outlays were partially supported by restricted resources, the cash and investments balance declined as a portion of the capital costs were funded using unrestricted reserves. Additionally grant funding received drove the decrease in receivables. Other current asset categories such as accounts receivable experienced modest increases, with no significant anomalies noted.

Total liabilities decreased by approximately $168,000. The most notable change occurred in accounts payable, which declined by about $112,000 due to payment of higher project-related payables outstanding at the end of the previous fiscal year. Meanwhile, long-term liabilities decreased by about $60,000, consistent with the Village's scheduled debt service payments. No new debt was issued during the year, and all other liability changes were consistent with routine operations.

The Village's overall net position increased $51,535 from the previously audited fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities:

Village of Elberta's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Government	
Revenues	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Program Revenues						
Charges for Services	$ 266,561	$ 223,279	$ 343,337	$ 338,860	$ 609,898	$ 562,139
Operating Grants and Contributions	152,511	221,549	-	-	152,511	221,549
Capital Grants and Contributions	30,000	795,716	41,027	999,363	71,027	1,795,079
Total Program Revenues	449,072	1,240,544	384,364	1,338,223	833,436	2,578,767
General Revenues						
Property Taxes	152,017	144,546	76,761	61,806	228,778	206,352
Intergovernmental	53,676	51,041	-	-	53,676	51,041
Interest Income	24,162	16,236	7,694	5,172	31,856	21,408
Total General Revenues	229,855	211,823	84,455	66,978	314,310	278,801
Total Revenues	678,927	1,452,367	468,819	1,405,201	1,147,746	2,857,568
Expenses						
General Government	221,245	237,776	-	-	221,245	237,776
Public Safety	1,977	1,879	-	-	1,977	1,879
Public Works	246,756	222,987	-	-	246,756	222,987
Community and Economic Development	13,605	15,392	-	-	13,605	15,392
Recreation and Culture	163,282	134,391	-	-	163,282	134,391
Sewer System	-	-	225,180	247,817	225,180	247,817
Water System	-	-	224,166	276,754	224,166	276,754
Total Expenses	646,865	612,425	449,346	524,571	1,096,211	1,136,996
Change in Net Position	32,062	839,942	19,473	880,630	51,535	1,720,572
Net Position at the Beginning of Period - as Restated	2,338,310	1,498,368	6,438,770	5,558,140	8,777,080	7,056,508
Net Position at the End of Period	$ 2,370,372	$ 2,338,310	$ 6,458,243	$ 6,438,770	$ 8,828,615	$ 8,777,080

Total revenues for the Village decreased by approximately $1.7 million from the prior year. The largest contributing factor was a $1.8 million decline in capital grants and contributions, which reflects a reduction in external funding for the Village's ongoing water system improvement project. Although new grant funds were earned during the year, this did not offset the overall reduction in capital-related grant funding. General revenues remained relatively stable, with modest increases in property tax collections and intergovernmental support. Charges for services also experienced a slight increase, reflecting ongoing demand for fee-based activities or utility services.

On the expense side, total expenses declined by approximately $41,000. The most significant reduction occurred in water system expenses, which decreased by approximately $53,000 as peripheral costs associated with the capital improvement project tapered off. Sewer expenses also decreased by approximately $23,000 for similar reasons. Offsetting this decline was a $29,000 increase in recreation and culture expenses, largely driven by continued improvements to community assets like Elberta Beach. Public works expenses also saw a modest increase of about $24,000 due to ongoing repair and maintenance projects. All other functional areas experienced relatively minor fluctuations in line with prior-year activity levels.

Financial Analysis of Governmental Funds

As noted earlier, 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 of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village's Council.

At February 28, 2026, the Village's governmental funds reported combined fund balances of $605,432, a decrease of $64,381 from the previous year. Approximately 20.3% of this amount, $123,060, constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance, $482,372 (79.7%) is *restricted* to indicate that it is restricted for particular purposes.

General Fund

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was $123,060. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total general fund expenditures. Unassigned, and total, fund balance for the general fund represents approximately 24.8% of total general fund expenditures and transfers out.

The fund balance of the Village's general fund decreased by $5,875 during the current fiscal year. The most significant reason for the decrease was a decrease of approximately $785,000 in intergovernmental revenue related to capital improvement projects offset by the correlating decrease of approximately $561,000 in related recreation and culture expenditures. The general fund also experienced modest increases in charges for services and interest and rent revenues. The Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the Village's available resources.

Major Streets Fund

The fund balance of the major streets fund, a major fund, increased by $16,869 during the current fiscal year for an ending fund balance of $346,249. The increase in fund balance was primarily due to the decrease of public works expenditures of approximately $161,000 offset by an approximately $53,000 decrease in intergovernmental revenues due to the timing of road repair and maintenance project expenditures. The Village continues to rely on state transportation revenue to support street infrastructure needs.

Local Streets Fund

The ending fund balance of the local streets fund, a major fund, of $104,303 decreased $49,517 during the current year due to public works expenditures exceeding revenue streams of intergovernmental, charges for services, and interest and rents. Revenue and expenditure activity were in line with the prior year.

Municipal Streets Fund

The fund balance of the municipal streets fund, a major fund, decreased by $15,205 during the current fiscal year for an ending fund balance of $17,385. The decrease in fund balance was primarily due to an increase of $16,230 in public works expenditures. This increase exceeded the modest increases in property tax, intergovernmental, and interest and rents revenues.

Other Governmental Funds

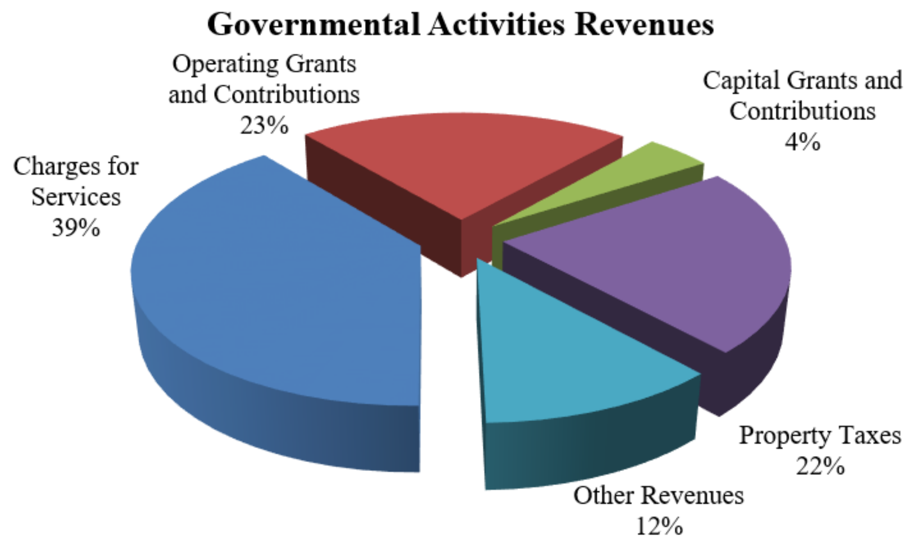
The other governmental funds, which include restricted-purpose special revenue funds, decreased by $10,653 during the current fiscal year for an ending fund balance of $14,435. The decrease was primarily attributable to increased expenditures in the park fund.

Proprietary Funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

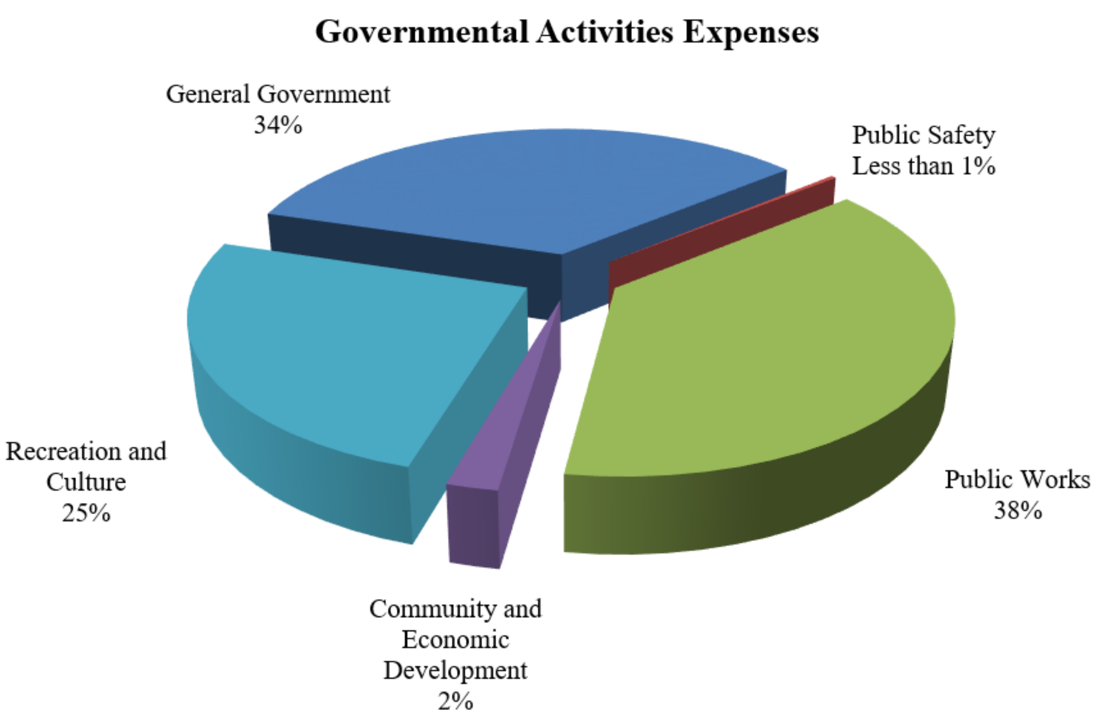
Unrestricted net position of the sewer fund at the end of the year was $430,765. The sewer fund had a total net position of $2,620,709, an increase of $4,908 from the prior year. The water fund's unrestricted net position was $51,419 and total net position was $3,837,534. The water fund experienced an increase of $14,565 from the prior year. The Village will continue to monitor the relative health of each proprietary fund's unrestricted net position relative to anticipated operating costs.

Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the Village for the most recent fiscal year-end.



The following chart summarizes the expenses for the governmental activities of the Village for the most recent fiscal year-end.



General Fund Budgetary Highlights

Original budget compared to final budget. There were significant changes between the original and final amended budget for the fiscal year ended February 28, 2026. These budget amendments reflect the Council's ongoing monitoring of financial activity and its commitment to adjusting budgeted revenues and expenditures as necessary to reflect current expectations and operational priorities.

The original budget anticipated total revenues of $1,233,099 and total expenditures of $1,233,054, resulting in a projected increase in fund balance of $45. The final amended budget reduced both revenues and expenditures to approximately $536,000, while maintaining a balanced operating plan and increasing the projected addition to fund balance to $341.

The decrease of $696,683 in budgeted revenues was primarily attributable to an $813,412 reduction in intergovernmental revenue. This reduction was partially offset by a $103,800 increase in interest and rents, along with increases in property taxes and charges for services of $7,724 and $12,246, respectively. Other revenue was reduced by $8,790.

Budgeted expenditures decreased by $696,979 from the original budget. The most significant revisions included reductions of $757,071 in parks and recreation expenditures and $67,115 in professional services. These decreases were partially offset by increases in waterfront park and LSS expenditures of $44,795, clerk expenditures of $42,583, and office expenditures of $37,807.

Final budget compared to actual results. When comparing the final budget to actual results, actual revenues came in under budget by approximately $46,000. The most notable unfavorable variances were seen in intergovernmental revenues, which fell short by about $25,000, and interest and rents, which was below budget by approximately $13,000. On the expenditure side, the Village spent approximately $40,000 less than budgeted. Several line items contributed to this savings, with the most significant being related to office and waterfront park and LSS expenditures.

All expenditures were held within the final budgeted amounts.

Capital Assets and Debt Administration

Capital assets

The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2026, amounts to $9,824,870 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and water and sewer infrastructure. See the notes to the financial statements for more information.

Long-term Debt

As described in the notes to the financial statements, the Village had $2,286,671 in bonds and notes payable outstanding at the end of the fiscal year, which is a decrease of $60,105 compared to the prior year in line with payment schedules. See the notes to the financial statements for more information.

Economic Condition and Outlook

Revenues available for appropriation in the general fund in the upcoming year are expected to remain similar to the fiscal year ended February 28, 2026, with property tax revenues remaining stable with a possible slight increase due to relatively steady taxable values. The Village will continue to scrutinize all budget line items for opportunities to reduce expenditures where feasible, and staff will diligently monitor the budget to identify any need for amendments. As in prior years, the Village plans to proceed with current revenues to deliver essential services while maintaining reserve levels.

Contacting the Village

This financial report is designed to provide a general overview of the Village's finances to its citizens, customers, investors, and creditors and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The Village of Elberta
151 Pearson Street
Elberta, MI 49628

BASIC FINANCIAL STATEMENTS

Village of Elberta
Statement of Net Position
February 28, 2026

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	$ 783,386	$ 278,464	$ 1,061,850
Accounts Receivable	2,585	43,805	46,390
Due from Other Governments	15,609	--	15,609
Total Current Assets	801,580	322,269	1,123,849
Noncurrent Assets			
Restricted Cash - Bond Reserve	--	27,400	27,400
Restricted Cash - RRI	--	175,400	175,400
Capital Assets not being Depreciated	289,131	--	289,131
Capital Assets being Depreciated, net	1,475,809	8,059,930	9,535,739
Total Assets	2,566,520	8,584,999	11,151,519
LIABILITIES			
Current Liabilities			
Accounts Payable	7,944	4,848	12,792
Payroll Related Liabilities	9,605	445	10,050
Accrued Interest	--	13,391	13,391
Current Portion of Long-term Debt	--	60,329	60,329
Internal Balances	178,599	(178,599)	--
Total Current Liabilities	196,148	(99,586)	96,562
Noncurrent Liabilities			
Long-term Debt	--	2,226,342	2,226,342
Total Liabilities	196,148	2,126,756	2,322,904
NET POSITION			
Net Investment in Capital Assets	1,764,940	5,773,259	7,538,199
Restricted for:			
Street Improvements	467,937	--	467,937
Parks	14,435	--	14,435
Bond Reserve	--	27,400	27,400
Bond Repair, Replacement, and Improvement	--	175,400	175,400
Unrestricted	123,060	482,184	605,244
Total Net Position	**$ 2,370,372**	**$ 6,458,243**	**$ 8,828,615**

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Elberta
Statement of Activities
For the Year Ended February 28, 2026

		Program Revenues			Net (Expense) Revenue		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental Activities:							
General Government	$ 221,245	$ 12,207	$ 11,527	$ --	$ (197,511)	$ --	$ (197,511)
Public Safety	1,977	--	963	--	(1,014)	--	(1,014)
Public Works	246,756	121,165	130,828	--	5,237	--	5,237
Community and Economic Development	13,605	--	--	--	(13,605)	--	(13,605)
Recreation and Culture	163,282	133,189	9,193	30,000	9,100	--	9,100
Total Governmental Activities	646,865	266,561	152,511	30,000	(197,793)	--	(197,793)
Business-type Activities:							
Sewer	225,180	147,285	--	--	--	(77,895)	(77,895)
Water	224,166	196,052	--	41,027	--	12,913	12,913
Total Business-type Activities	449,346	343,337	--	41,027	--	(64,982)	(64,982)
Total	$ 1,096,211	$ 609,898	$ 152,511	$ 71,027	(197,793)	(64,982)	(262,775)
		General Purpose Revenues:					
		Property Taxes			152,017	76,761	228,778
		Intergovernmental			53,676	--	53,676
		Interest Income			24,162	7,694	31,856
		Total General Revenues and Transfers			229,855	84,455	314,310
		Change in Net Position			**32,062**	**19,473**	**51,535**
		Net Position at Beginning of Period, as Previously Reported			2,338,310	6,345,283	8,683,593
		Prior Period Adjustment - Correction of Grant Revenue			--	93,487	93,487
		Net Position at Beginning of Period, as Restated			2,338,310	6,438,770	8,777,080
		Net Position at End of Period			**$ 2,370,372**	**$ 6,458,243**	**$ 8,828,615**

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Elberta
Balance Sheet
Governmental Funds
February 28, 2026

	General	Special Revenue: Major Streets	Special Revenue: (Formerly a Nonmajor Fund) Local Streets	Special Revenue: (Formerly a Nonmajor Fund) Municipal Streets	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	$ 359,697	$ 325,745	$ 74,066	$ 8,125	$ 15,753	$ 783,386
Accounts Receivable	2,585	--	--	--	--	2,585
Due from Other Governments	7,701	5,593	2,315	--	--	15,609
Due from Other Funds	--	17,367	30,117	11,299	--	58,783
Total Assets	**$ 369,983**	**$ 348,705**	**$ 106,498**	**$ 19,424**	**$ 15,753**	**$ 860,363**
LIABILITIES						
Accounts Payable	$ 3,860	$ 1,352	$ 935	$ 1,495	$ 302	$ 7,944
Payroll Related Liabilities	6,697	1,104	1,260	544	--	9,605
Due to Other Funds	236,366	--	--	--	1,016	237,382
Total Liabilities	246,923	2,456	2,195	2,039	1,318	254,931
FUND BALANCE						
Restricted	--	346,249	104,303	17,385	14,435	482,372
Unassigned	123,060	--	--	--	--	123,060
Total Fund Balance	123,060	346,249	104,303	17,385	14,435	605,432
Total Liabilities and Fund Balance	**$ 369,983**	**$ 348,705**	**$ 106,498**	**$ 19,424**	**$ 15,753**	**$ 860,363**

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Elberta
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
February 28, 2026

Total Fund Balance - Governmental Funds	$	605,432
Capital assets used in governmental activities of $2,615,633, net of accumulated depreciation of $850,693, are not financial resources and, accordingly, are not reported in the funds.		1,764,940
Total Net Position - Governmental Activities	$	**2,370,372**

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Elberta
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended February 28, 2026

	General	Special Revenue: Major Streets	Special Revenue: (Formerly a Nonmajor Fund) Local Streets	Special Revenue: (Formerly a Nonmajor Fund) Municipal Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$ 109,228	$ --	$ --	$ 42,789	$ --	$ 152,017
Licenses and Permits	1,565	--	--	--	--	1,565
Intergovernmental	96,166	88,503	22,985	19,340	--	226,994
Charges for Services	127,499	3,422	3,423	--	--	134,344
Interest and Rents	151,585	8,610	4,367	7,133	446	172,141
Other Revenue	4,479	--	--	--	11,403	15,882
Total Revenues	490,522	100,535	30,775	69,262	11,849	702,943
Expenditures						
General Government	210,518	--	--	--	--	210,518
Public Safety	1,977	--	--	--	--	1,977
Public Works	28,447	83,666	80,292	84,467	--	276,872
Community and Economic Development	13,605	--	--	--	--	13,605
Recreation and Culture	241,850	--	--	--	22,502	264,352
Total Expenditures	496,397	83,666	80,292	84,467	22,502	767,324
Excess of Revenues Over (Under) Expenditures	(5,875)	16,869	(49,517)	(15,205)	(10,653)	(64,381)
Net Change in Fund Balance	**(5,875)**	**16,869**	**(49,517)**	**(15,205)**	**(10,653)**	**(64,381)**
Fund Balance at Beginning of Period, as Previously Reported	128,935	329,380	--	--	211,498	669,813
Change Within Financial Reporting Entity (nonmajor to major fund)	--	--	153,820	32,590	(186,410)	--
Fund Balance at Beginning of Period, as Adjusted	128,935	329,380	153,820	32,590	25,088	669,813
Fund Balance at End of Period	**$ 123,060**	**$ 346,249**	**$ 104,303**	**$ 17,385**	**$ 14,435**	**$ 605,432**

Village of Elberta
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities
For the Year Ended February 28, 2026

Total Net Change in Fund Balances - Governmental Funds	$	(64,381)
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 and reported as depreciation expense. This is the amount by which capital outlay expenditures of $155,181 exceeds depreciation expense of $58,738.		96,443
Changes in Net Position - Governmental Activities	$	**32,062**

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Elberta
Statement of Net Position
Proprietary Funds
February 28, 2026

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total Enterprise Funds
ASSETS			
Current Assets			
Cash and Investments	$ 193,172	$ 85,292	$ 278,464
Accounts Receivable	17,972	25,833	43,805
Due from Other Funds	224,779	--	224,779
Total Current Assets	435,923	111,125	547,048
Noncurrent Assets			
Restricted Cash - Bond Reserve	13,000	14,400	27,400
Restricted Cash - RRI	87,700	87,700	175,400
Capital Assets being Depreciated, net	2,379,223	5,680,707	8,059,930
Total Assets	2,915,846	5,893,932	8,809,778
LIABILITIES			
Current Liabilities			
Accounts Payable	3,175	1,673	4,848
Payroll Related Liabilities	87	358	445
Accrued Interest	1,896	11,495	13,391
Current Portion of Long-term Debt	16,927	43,402	60,329
Due to Other Funds	--	46,180	46,180
Total Current Liabilities	22,085	103,108	125,193
Noncurrent Liabilities			
Long-term Debt	273,052	1,953,290	2,226,342
Total Liabilities	295,137	2,056,398	2,351,535
NET POSITION			
Net Investment in Capital Assets	2,089,244	3,684,015	5,773,259
Restricted for:			
Bond Reserve	13,000	14,400	27,400
Bond Repair, Replacement, and Improvement	87,700	87,700	175,400
Unrestricted	430,765	51,419	482,184
Total Net Position	$ **2,620,709**	$ **3,837,534**	$ **6,458,243**

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Elberta
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended February 28, 2026

	Business-type Activities - Enterprise Funds		
	Sewer	**Water**	**Total Enterprise Funds**
Operating Revenues			
Charges for Services	$ 147,285	$ 196,052	$ 343,337
Total Operating Revenues	147,285	196,052	343,337
Operating Expenses			
Wages and Benefits	5,371	24,121	29,492
Administrative Fees	41,651	43,572	85,223
Contracted Services	2,559	44,719	47,278
Operating Supplies	8,023	13,720	21,743
Postage and Office Supplies	865	1,265	2,130
Education and Training	--	885	885
Insurance	941	3,250	4,191
Dues and Fees	635	1,490	2,125
Utilities	5,985	10,309	16,294
Repairs and Maintenance	80,275	13,945	94,220
Equipment Rental	292	1,016	1,308
Testing	--	3,965	3,965
Small Equipment	2,305	4,628	6,933
Depreciation	70,685	25,077	95,762
Total Operating Expenses	219,587	191,962	411,549
Operating Income (Loss)	(72,302)	4,090	(68,212)
Non-Operating Revenues (Expenses)			
Property Taxes	76,761	--	76,761
Interest Income	6,042	1,652	7,694
Interest Expense	(5,593)	(32,204)	(37,797)
Net Non-Operating Revenues (Expenses)	77,210	(30,552)	46,658
Income Before Contributions and Transfers	4,908	(26,462)	(21,554)
Capital Contributions, State Grants	--	41,027	41,027
Change In Net Position	**4,908**	**14,565**	**19,473**
Net Position at Beginning of Period, as Previously Reported	2,615,801	3,729,482	6,345,283
Prior Period Adjustment - Correction of Grant Revenue	--	93,487	93,487
Net Position at Beginning of Period, as Restated	2,615,801	3,822,969	6,438,770
Net Position at End of Period	**$ 2,620,709**	**$ 3,837,534**	**$ 6,458,243**

The Notes to the Financial Statements are an integral part of these Financial Statements

Village of Elberta
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 28, 2026

	Business-type Activities - Enterprise Funds		
	Sewer System	Water System	Total Enterprise Funds
Cash Flows from Operating Activities			
Cash Received from Charges for Services	$ 139,943	$ 193,972	$ 333,915
Cash Payments to Employees for Services and Fringe Benefits	(5,383)	(24,586)	(29,969)
Cash Payments to Suppliers for Goods and Services	(151,801)	(141,686)	(293,487)
Net Cash Provided (Used) by Operating Activities	(17,241)	27,700	10,459
Cash Flows from Non-capital Financing Activities			
Collection of Property Taxes	76,761	-	76,761
Decrease in Interfund Balances	(224,779)	-	(224,779)
Increase in Interfund Balances	-	46,180	46,180
Net Cash Provided (Used) by Non-capital Financing Activities	(148,018)	46,180	(101,838)
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(2,876)	(1,887)	(4,763)
Capital Contributions, State and Federal Grants	-	134,558	134,558
Payment of Construction-related Accounts Payable	-	(93,487)	(93,487)
Interest Payments on Long-term Debt	(5,638)	(32,514)	(38,152)
Principal Payments on Long-term Debt	(16,605)	(43,500)	(60,105)
Net Cash Used by Capital and Related Financing Activities	(25,119)	(36,830)	(61,949)
Cash Flows from Investing Activities			
Interest Revenue	6,042	1,652	7,694
Net Cash Provided by Investing Activities	6,042	1,652	7,694
Net Increase (Decrease) in Cash and Investments	(184,336)	38,702	(145,634)
Cash and Investments - Beginning of Year	478,208	148,690	626,898
Cash and Investments - End of Year	$ 293,872	$ 187,392	$ 481,264
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ (72,302)	$ 4,090	$ (68,212)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation Expense	70,685	25,077	95,762
Changes in Assets and Liabilities			
Accounts Receivable	(7,342)	(2,080)	(9,422)
Payroll Related Liabilities	(12)	(465)	(477)
Accounts Payable	(8,270)	1,078	(7,192)
Net Cash Provided (Used) by Operating Activities	$ (17,241)	$ 27,700	$ 10,459
Reconciliation of Cash and Investments to Statement of Net Position			
Cash and Investments	$ 193,172	$ 85,292	$ 278,464
Restricted Cash - Bond Reserve	13,000	14,400	27,400
Restricted Cash - RRI	87,700	87,700	175,400
Total Cash and Investments	$ 293,872	$ 187,392	$ 481,264

The Notes to the Financial Statements are an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Village of Elberta (the "Village" or "government") is located in Benzie County, Michigan, and operates under an elected five-member Village Council. The Village provides various services to its residents, including public safety, water and sewer utilities, and recreation and cultural activities.

These financial statements present only the Village. In accordance with Governmental Accounting Standards Board (GASB) criteria, the reporting entity includes all organizations for which the Village is financially accountable, as well as other organizations whose exclusion would cause the financial statements to be misleading. Financial accountability exists if the Village appoints a voting majority of an organization's governing body and is able to impose its will or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Village. Based on these criteria, the Village has no component units.

Jointly Governed Organization

The Village, in partnership with the City of Frankfort, formed the Betsie Lake Utilities Authority ("BLUA") to own and operate a wastewater treatment plant serving both communities. The Authority is governed by a five-member commission, with representatives from each municipality. The Authority is legally separate from the Village and is not financially dependent on it. Accordingly, it is not considered a component unit of the Village, but rather a jointly governed organization.

The Authority is audited separately and its financial statements are not included in the Village's financial statements. Separate financial statements for the Authority can be obtained from the Betsie Lake Utilities Authority, Frankfort, Michigan.

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 on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. 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.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, state shared revenues, 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. 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 Village.

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 ***municipal streets fund*** accounts for the proceeds of the Village's dedicated municipal streets millage and other revenues restricted for the maintenance and improvement of streets within the Village. Funding is derived primarily from property taxes, with additional support from intergovernmental revenues and investment earnings.

The ***major streets fund*** accounts for the maintenance and improvement activities for streets within the Village designated as "major" under the provisions of Public Act 51 of 1951, as amended. Funding is primarily derived from state-shared gas and weight tax revenues, and expenditures are restricted to purposes authorized by state law.

The ***local streets fund*** accounts for the maintenance and improvement of streets within the Village designated as local streets under the provisions of Public Act 51 of 1951, as amended. Funding is primarily derived from state-shared gas and weight tax revenues, and expenditures are restricted to purposes authorized by state law.

The Village reports the following major proprietary funds:

The ***sewer fund*** accounts for the activities of the Village's sewage collection system, including the operation, maintenance, and improvement of the system's infrastructure. Funding is derived primarily from user charges, with rates designed to recover the cost of providing services, including depreciation and debt service, in accordance with applicable laws and regulations.

The ***water fund*** accounts for the activities of the Village's water distribution system, including the operation, maintenance, and improvement of water mains, pumping stations, and related facilities. Funding is derived primarily from user charges, with rates designed to recover the cost of providing services, including depreciation and debt service, in accordance with applicable laws and regulations.

Additionally, the Village reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

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 and other charges between the Village's water and sewer function 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.

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 of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Position or Equity

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 are stated at fair value based on quoted market prices.

State statutes and Village policy authorize the Village to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectible.

Due To/Due From

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund balance sheets.

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 activities and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and an initial individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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 asset lives are not capitalized.

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

	Years
Buildings and Improvements	20-40
Land Improvements	20-40
Machinery and Equipment	5-10
Office Equipment and Fixtures	5
Infrastructure	30-50
Water and Sewer Systems	30-50

Restricted Cash

Cash and investments that are restricted for specific purposes by bond debt covenants, grant agreements, or other legal requirements are classified as restricted assets on the statement of net position. Typical restrictions include bond reserve accounts, repair and replacement accounts, and other amounts set aside for debt service or capital improvements as required by debt agreements. Liabilities payable from restricted assets are separately reported. Details of restricted cash and investments, including required and actual balances, are provided in Note 7 - Restricted Assets.

Compensated Absences

Under the provisions of the Village's personnel policies, eligible employees earn paid time off (PTO) based on length of service and hours worked. PTO may be used for vacation, illness, or other personal reasons.

In accordance with GASB Statement No. 101, compensated absences are recognized as a liability when earned by employees if the following conditions are met: 1) the leave is attributable to services already rendered, 2) it is more likely than not that the leave will be used for time off or otherwise paid or settled, and 3) leave accumulates into a future reporting period. The liability is measured using the pay rates in effect at the reporting date and includes salary-related payments.

For the Village, as applicable, material compensated absence liabilities are reported in the government-wide and proprietary fund financial statements when earned. No liability is recorded in the governmental fund financial statements because such amounts are not expected to be liquidated with expendable available financial resources.

Under the provisions of the Village's personnel policies, full-time and part-time employees and Village officials are awarded paid time off annually based on employment classification and, for certain employees, length of service. Employees and officials hired before March 1, 2014 are awarded PTO at the beginning of each fiscal year, while those hired after March 1, 2014 are awarded PTO on their employment anniversary date. PTO must be used within the applicable fiscal or anniversary year and does not carry forward. Unused PTO is forfeited upon voluntary or involuntary termination.

Based on management's analysis of the Village's personnel policies, the timing of PTO awards, and historical usage, management determined that substantially all unused PTO did not meet all of the recognition criteria under GASB Statement No. 101. As such, no material compensated-absence liability existed and no compensated-absence liability was recognized at February 28, 2026.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position for both governmental activities and business-type activities.

In the proprietary fund financial statements, long-term debt and other long-term obligations are also reported as liabilities in the statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the effective interest method, and issuance costs are expensed in the period incurred.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 to report as restricted net position and unrestricted net position 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 government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the government 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 government'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.

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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations 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 government's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Village Council, or its designee, can assign fund balance. 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.

Unassigned fund balance is the residual classification for the Village's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Village Council. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

Revenues and Expenditures / Expenses

Property Tax Revenue Recognition

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 15, at which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and accordingly, the total levy is recognized as revenue. For the 2025 tax year the taxable value for the Village was $16,253,145 and it levied 6.5373, 2.6143, and 4.1700 mills for general operations, streets, and debt service, respectively.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. 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.

Note 2 - Budgetary Compliance

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, activity, department, and line item. The legal level of budgetary control is at the activity level for the general fund and at the functional level for special revenue funds. All annual appropriations lapse at the end of the fiscal year.

Prior to February 28, the finance committee submits a proposed operating budget for the fiscal year commencing the following March 1 to the Village Council. Public hearings are conducted to obtain taxpayer input, and the budget is legally enacted through passage of a resolution prior to March 1. The Village Clerk and Treasurer, under the approval of the Village President, are authorized to transfer budgeted amounts between line items within an activity or function; however, any revisions that alter the total appropriations for an activity or function must be approved by the Village Council.

The Village does not track encumbrances during the year. Budget appropriations are considered expended when goods are received or services are rendered.

Budgetary Compliance

During the year ended February 28, 2026 the Village had no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

Note 3 - Cash

The Village maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit balances as of February 28, 2026:

Statement of Net Position	Governmental Activities	Business-type Activities	Total
Cash and Investments	$ 783,386	$ 278,464	$ 1,061,850
Cash and Investments - Restricted	-	202,800	202,800
Total Cash and Investments	$ 783,386	$ 481,264	$ 1,264,650

Deposits and Investments	
Cash on Hand	$ 250
Checking and Savings Accounts	338,985
MI Class Pooled Investments	925,415
Total	$ 1,264,650

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk.

At year-end, the Village's bank balance was $328,852. None of this amount was uninsured and uncollateralized and therefore exposed to custodial credit risk. The Village evaluates each financial institution holding its funds, using only those institutions with an acceptable estimated risk level.

Custodial Credit Risk - Investments

Custodial credit risk for investments 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 held by that counterparty. The Village minimizes this risk by limiting investments to those authorized by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Village conducts business.

Interest Rate Risk

Interest rate risk is the risk that the fair value of securities will fall due to changes in market interest rates. State law limits allowable investments and maturities. The Village's investment policy does not have specific maturity limits beyond those required by state law. The Village held $925,415 in pooled investments (Michigan CLASS) at year-end, which have no stated maturity date.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits allowable investments to specific high-quality securities. The Village's investments comply with these requirements. The Michigan CLASS investment pool is rated AAAm by Standard & Poor's.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. State law does not limit investments in any one issuer, although it does restrict the types of allowable investments. The Village does not have a formal policy limiting concentration risk. As of year-end, all of the Village's investments were in the Michigan CLASS investment pool.

Fair Value Measurement

The Village is required to disclose amounts within a framework established for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

> Level 1: Quoted prices in active markets for identical securities.
>
> Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
>
> Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Village's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The Michigan CLASS investment pool is measured at NAV and is therefore exempt from the hierarchy.

Investments in Entities that Calculate Net Asset Value per Share

Michigan CLASS

The Village holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year-end, the net asset value of the Village's investment in the Michigan CLASS government investment pool was $925,415. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated ‘A-1’ or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

Note 4 – Interfund Receivables and Payables

The composition of interfund balances as of February 28, 2026 was as follows:

Receivable Fund	Payable Fund		Amount
Sewer Fund	Water Fund	$	46,180
Sewer Fund	General Fund		178,599
Local Streets Fund	Nonmajor Governmental Funds		1,016
Major Streets Fund	General Fund		17,367
Local Streets Fund	General Fund		29,101
Municipal Streets Fund	General Fund		11,299

These balances resulted from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All interfund balances are expected to be repaid within one year.

Note 5 - Capital Assets

Capital asset activity for governmental activities for the year ended February 28, 2026 was as follows:

Governmental Activities	Beginning Balance	Additions	Reclassifications	Ending Balance
Capital Assets not Being Depreciated				
Land	$ 289,131	$ -	$ -	$ 289,131
Construction in Progress	708,952	-	(708,952)	-
Subtotal	998,083	-	(708,952)	289,131
Capital Assets Being Depreciated				
Land Improvements	334,646	99,418	708,952	1,143,016
Buildings and Improvements	857,740	10,700	-	868,440
Machinery and Equipment	269,983	45,063	-	315,046
Subtotal	1,462,369	155,181	708,952	2,326,502
Less Accumulated Depreciation				
Land Improvements	35,387	16,732	-	52,119
Buildings and Improvements	509,747	21,711	-	531,458
Machinery and Equipment	246,821	20,295	-	267,116
Subtotal	791,955	58,738	-	850,693
Net Capital Assets Being Depreciated	670,414	96,443	708,952	1,475,809
Net Capital Assets - Governmental	$ 1,668,497	$ 96,443	$ -	$ 1,764,940

Capital asset activity for business-type activities for the year ended February 28, 2026 was as follows:

Business-type Activities	Beginning Balance	Additions	Reclassifications	Ending Balance
Capital Assets not Being Depreciated				
Construction in Progress	$ 4,895,114	$ -	$ (4,895,114)	$ -
Capital Assets Being Depreciated				
Sewer System	3,538,271	4,764	39,470	3,582,505
Water System	1,241,533	-	4,855,644	6,097,177
Subtotal	4,779,804	4,764	4,895,114	9,679,682
Less Accumulated Depreciation				
Sewer System	1,132,597	70,685	-	1,203,282
Water System	391,393	25,077	-	416,470
Subtotal	1,523,990	95,762	-	1,619,752
Net Capital Assets Being Depreciated	3,255,814	(90,998)	4,895,114	8,059,930
Net Capital Assets - Business-type	$ 8,150,928	$ (90,998)	$ -	$ 8,059,930

Depreciation expense was charged to functions of the Village as follows:

Governmental Activities		
General Government	$	18,730
Public Works		27,844
Recreation and Culture		12,164
Subtotal	$	58,738
Business-type Activities		
Sewer System	$	70,685
Water System		25,077
Subtotal	$	95,762

Note 6 - Long-term Debt

Listed below are descriptions of the bond issues and installment contracts in the Village business-type activities.

Bonds Payable

At year-end, the Village had the following revenue bonds outstanding, issued to finance improvements to its water and sewer systems. The bonds are secured by the net revenues of the respective utility systems and additionally backed by the full faith and credit of the Village. Original issue amounts are presented below; balances outstanding at year-end are disclosed in the accompanying long-term debt schedule.

$350,000 General Obligation Limited Tax Bonds, Series 2017A (USDA) – Issued April 1, 2017, to finance improvements to the sewer supply system. Payable in annual installments of $6,000 to $13,000 through April 1, 2057, with interest at 1.75%, payable semiannually on April 1 and October 1.

$350,000 General Obligation Limited Tax Bonds, Series 2018A (USDA) – Issued April 1, 2018, to finance improvements to the water system. Payable in annual installments of $7,000 to $13,000 through April 1, 2058, with interest at 1.75%, payable semiannually on April 1 and October 1.

$35,000 General Obligation Limited Tax Bond, Series 2018B (USDA) – Issued April 1, 2018, to finance improvements to the water supply system. Payable in annual installments of $500 to $1,000 through April 1, 2058, with interest at 2.375%, payable semiannually on April 1 and October 1.

$1,500,000 General Obligation Limited Tax Bonds, Series 2022A (USDA) – Issued April 1, 2022, to finance additional water supply system improvements. Payable in annual installments of $26,000 to $50,000 through April 1, 2062, with interest at 1.50%, payable semiannually on April 1 and October 1.

$300,000 Water Supply System Junior Lien Revenue Bond, Series 2022B-1 (USDA) – Issued April 1, 2022, to finance water supply system improvements. Payable in annual installments of $4,000 to $10,000 through April 1, 2062, with interest at 1.875%, payable semiannually on April 1 and October 1.

$35,000 Water Supply System Junior Lien Revenue Bond, Series 2022B-2 (USDA) – Issued April 1, 2022, to finance water supply system improvements. Payable in annual installments of $4,000 through April 1, 2030, with interest at 1.875%, payable semiannually on April 1 and October 1.

Installment Debt

$100,000 Note in accordance with Act No. 99 of the Public Acts of 1933, as amended. Due in monthly installments of $966 through July 1, 2028; interest at 3.00%

Changes in long-term debt during the current year were as follows:

Direct Placement Debt	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Installment Note Payable	$ 37,584	$ -	$ 10,605	$ 26,979	$ 10,605
Sewer Revenue Bonds Series 2017A	269,000	-	6,000	263,000	6,000
Water Revenue Bonds Series 2018A	312,000	-	7,000	305,000	7,000
Water Revenue Bonds Series 2018B	32,000	-	500	31,500	500
Water Revenue Bonds Series 2022A	1,380,000	-	26,000	1,354,000	27,000
Water Revenue Bonds Series 2022B-1	293,252	-	5,000	288,252	4,474
Water Revenue Bonds Series 2022B-2	22,940	-	5,000	17,940	4,750
Total Direct Placement Debt	$ 2,346,776	$ -	$ 60,105	$ 2,286,671	$ 60,329

Debt service requirements to maturity are scheduled below:

February 28,	Principal	Interest	Total
2027	$ 60,329	$ 36,818	$ 97,147
2028	60,610	35,654	96,264
2029	56,042	34,559	90,601
2030	51,690	33,639	85,329
2031	48,000	32,832	80,832
2032-2036	254,000	151,992	405,992
2037-2041	269,000	130,797	399,797
2042-2046	308,000	107,404	415,404
2047-2051	335,000	80,809	415,809
2052-2056	360,000	52,322	412,322
2057-2061	327,000	23,160	350,160
2062-2063	157,000	3,177	160,177
Totals	$ 2,286,671	$ 723,163	$ 3,009,834

Note 7 - Restricted Assets

Restricted cash consisted of the following required and actual balances as of year-end:

	February 28, 2026	
Sewer Fund	**Required Balance**	**Actual Balance**
Bond Reserve Accounts		
2017 Issue, $1,300 per year up to $13,000	$ 13,000	$ 13,000
Repair & Replacement Accounts		
2017 Issue, $8,770 up to $13,000 in Reserve Account, then $10,070 per year	87,700	87,700
Water Fund		
Bond Reserve Accounts		
2018A and B Issue, $1,440 per year up to $14,400	14,400	14,400
Repair & Replacement Accounts		
2018A and B Issue, $8,770 up to $14,400 in Reserve Account, then $10,210 per year	87,700	87,700
Totals	$ 202,800	$ 202,800

Note 8 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). Risks of loss from general liability, property and casualty, and workers' compensation are managed through the purchase of commercial insurance. There have been no significant changes in insurance coverage from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Village has no significant commitments, unrecorded contingencies, or guarantees as of year-end.

Note 9 - Subsequent Events

Management of the Village has evaluated subsequent events through August 10, 2026, the date the financial statements were available to be issued. This evaluation considered events occurring after year-end but before the financial statements were issued or available to be issued, in accordance with generally accepted accounting principles. Management has determined that there are no subsequent events requiring recognition or disclosure in the financial statements that would have a significant effect on the financial condition of the Village.

Note 10 - Error Correction

During the year ended February 28, 2026, the Village identified an error in its previously issued financial statements for the year ended February 28, 2025 related to the recognition of revenue under the Distribution System Materials Inventory/Drinking Water Asset Management (DSMI/DWAM) grant. Eligible expenditures had been incurred as of February 28, 2025; however, the Village did not recognize the related grant receivable and grant revenue.

The correction of this error increased the grant receivable and related capital grant revenue reported for Business-type Activities and the Water Fund by $93,487. Accordingly, the error affected the Due from Other Governments and Capital Grants and Contributions line items of the government-wide financial statements and the related grant receivable and Capital Contributions, State Grants amounts of the Water Fund. The correction increased the previously reported change in net position for the year ended February 28, 2025 by $93,487 for both Business-type Activities and the Water Fund.

In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*, beginning net position for the year ended February 28, 2026 has been restated for the cumulative effect of the error as follows:

	Business-type Activities	Water Fund
February 28, 2025 Net Position as Previously Stated	$ 6,345,283	$ 3,729,482
Grant Revenue Adjustment	93,487	93,487
February 28, 2025 Net Position as Restated	$ 6,438,770	$ 3,822,969

The error correction had no effect on governmental activities or the Sewer Fund.

Note 11 - Change within Financial Reporting Entity – Change in Fund Presentation

During the year ended February 28, 2026, the Local Streets Fund and Municipal Streets Fund met the quantitative criteria for presentation as major governmental funds. In the prior year, both funds were included within the Nonmajor Governmental Funds reporting unit.

The change from nonmajor to major fund presentation is reported as a change within the financial reporting entity in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*. Accordingly, beginning fund balances for the year ended February 28, 2026 have been adjusted as if the Local Streets Fund and Municipal Streets Fund had been presented as major funds at the beginning of the fiscal year. Prior-year ending fund balances have not been restated.

This change affects only the presentation of fund balances among the governmental fund reporting units and has no effect on total governmental fund balance. The effect of the change on beginning fund balances is as follows:

Fund / Fund Type	As Previously Reported	Reclassification Adjustment	As Adjusted
General Fund	$ 128,935	$ -	$ 128,935
Major Streets Fund	329,380	-	329,380
Local Streets Fund	-	153,820	153,820
Municipal Streets Fund	-	32,590	32,590
Nonmajor Governmental Funds	211,498	(186,410)	25,088
Totals	$ 669,813	$ -	$ 669,813

REQUIRED SUPPLEMENTARY INFORMATION

Village of Elberta
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended February 28, 2026

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	$ 101,500	$ 109,224	$ 109,228	$ 4
Licenses and Permits	1,000	2,750	1,565	(1,185)
Intergovernmental	934,745	121,333	96,166	(25,167)
Charges for Services	112,154	124,400	127,499	3,099
Interest and Rents	61,200	165,000	151,585	(13,415)
Other Revenue	22,500	13,710	4,479	(9,231)
Total Revenues	1,233,099	536,416	490,522	(45,894)
Expenditures				
General Government				
Trustees	8,200	11,175	5,778	5,397
Clerk	52,476	95,059	89,668	5,391
Treasurer	28,660	19,650	15,613	4,037
Office	24,405	62,212	55,725	6,487
Community Building	15,495	18,445	16,683	1,762
Professional Services	88,200	21,085	18,707	2,378
Employee Benefits	8,900	9,500	8,344	1,156
Total General Government	226,336	237,126	210,518	26,608
Public Safety - Frankfort Rental Expenses	3,400	2,000	1,977	23
Public Works - Refuse Collection	21,700	28,639	28,447	192
Community and Economic Development - Planning Commission	22,315	16,140	13,605	2,535
Recreation and Culture				
Waterfront park and LSS	80,403	125,198	118,842	6,356
Elberta Beach	13,250	14,263	13,081	1,182
Parks and Recreation	850,000	92,929	92,929	0
Penfold Park	11,650	15,780	13,082	2,698
Village Beautification	4,000	4,000	3,916	84
Total Recreation and Culture	959,303	252,170	241,850	10,320
Total Expenditures	1,233,054	536,075	496,397	39,678
Excess (Deficiency) of Revenues Over Expenditures	45	341	(5,875)	(6,216)
Net Change in Fund Balance	**45**	**341**	**(5,875)**	**(6,216)**
Fund Balance at Beginning of Period	128,935	128,935	128,935	--
Fund Balance at End of Period	**$ 128,980**	**$ 129,276**	**$ 123,060**	**$ (6,216)**

Village of Elberta
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the Year Ended February 28, 2026

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	**Final**	**Actual**	**Final to Actual**
Revenues				
Intergovernmental	$ 22,000	$ 25,000	$ 22,985	$ (2,015)
Charges for Services	9,000	15,000	3,423	(11,577)
Interest and Rents	3,000	4,500	4,367	(133)
Total Revenues	34,000	44,500	30,775	(13,725)
Expenditures				
Public Works	153,850	124,659	80,292	44,367
Total Expenditures	153,850	124,659	80,292	44,367
Excess (Deficiency) of Revenues Over Expenditures	(119,850)	(80,159)	(49,517)	30,642
Net Change in Fund Balance	**(119,850)**	**(80,159)**	**(49,517)**	**30,642**
Fund Balance at Beginning of Period	153,820	153,820	153,820	--
Fund Balance at End of Period	**$ 33,970**	**$ 73,661**	**$ 104,303**	**$ 30,642**

Village of Elberta
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended February 28, 2026

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	**Final**	**Actual**	**Final to Actual**
Revenues				
Intergovernmental	$ 162,100	$ 92,500	$ 88,503	$ (3,997)
Charges for Services	9,000	27,000	3,422	(23,578)
Interest and Rents	3,000	8,200	8,610	410
Total Revenues	174,100	127,700	100,535	(27,165)
Expenditures				
Public Works	274,630	218,559	83,666	134,893
Total Expenditures	274,630	218,559	83,666	134,893
Excess (Deficiency) of Revenues Over Expenditures	(100,530)	(90,859)	16,869	107,728
Net Change in Fund Balance	**(100,530)**	**(90,859)**	**16,869**	**107,728**
Fund Balance at Beginning of Period	329,380	329,380	329,380	--
Fund Balance at End of Period	**$ 228,850**	**$ 238,521**	**$ 346,249**	**$ 107,728**

Village of Elberta
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Municipal Streets
For the Year Ended February 28, 2026

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Property Taxes	$ 38,900	$ 42,789	$ 42,789	$ 0
Intergovernmental	17,400	19,340	19,340	(0)
Interest and Rents	5,000	7,200	7,133	(67)
Other Revenue	50	50	--	(50)
Total Revenues	61,350	69,379	69,262	(117)
Expenditures				
Public Works	73,184	90,707	84,467	6,240
Total Expenditures	73,184	90,707	84,467	6,240
Excess (Deficiency) of Revenues Over Expenditures	(11,834)	(21,328)	(15,205)	6,123
Net Change in Fund Balance	**(11,834)**	**(21,328)**	**(15,205)**	**6,123**
Fund Balance at Beginning of Period	32,590	32,590	32,590	--
Fund Balance at End of Period	**$ 20,756**	**$ 11,262**	**$ 17,385**	**$ 6,123**

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GABRIDGE & CO.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Village Council
Village of Elberta, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elberta (the "Village"), as of and for the year ended February 28, 2026, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated August 10, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of finding and responses as items 2026-001 and 2026-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI
August 10, 2026

Material Weakness

2026-001 Segregation of Incompatible Duties (repeat finding)

Criteria: Management is responsible for designing, implementing, and maintaining internal control over financial reporting to safeguard the Village's assets and provide reasonable assurance that transactions are properly authorized, recorded, processed, and reported. An important element of an effective system of internal control is the segregation of incompatible accounting duties. When adequate segregation of duties is not practicable, management should establish appropriate compensating controls, including documented independent review and approval of key accounting activities.

Condition/Finding: Due to the Village's limited accounting staff, certain accounting functions are performed by the same individual and are not subject to a consistently documented independent review and approval by another qualified individual. As a result, the Village does not maintain adequate segregation of incompatible duties over certain aspects of its accounting and financial reporting processes.

Cause: This condition results primarily from the limited size of the Village's accounting staff and the practical staffing and resource constraints inherent in a small governmental organization.

Effect: The lack of adequate segregation of duties, or documented compensating controls where segregation is not practicable, increases the risk that errors, unauthorized transactions, or other misstatements, whether caused by error or fraud, could occur and not be prevented, or detected and corrected, on a timely basis.

Recommendation: We recommend that management continue to evaluate opportunities to strengthen segregation of duties within the Village's existing staffing structure. Where incompatible duties cannot reasonably be segregated, the Village should establish compensating controls that require timely, documented independent review and approval of key accounting activities by an individual with sufficient knowledge and authority to identify unusual or improper transactions. Evidence of such review should be retained as part of the Village's accounting records.

Views of Responsible Officials: Village management agrees with the finding regarding segregation of incompatible duties.

Planned Corrective Action: The Village will continue to evaluate its accounting processes and consider policies and procedures that increase documented independent review and approval of key accounting activities. Management will implement additional compensating controls where practicable, taking into consideration the staffing and resource constraints inherent in a small village.

<u>Material Weakness</u>

2026-002 Material Audit Adjustments and Financial Statement Preparation (repeat finding)

Criteria: Management is responsible for the preparation and fair presentation of the Village's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This responsibility includes designing, implementing, and maintaining internal control over the recording, processing, and summarizing of accounting transactions; identifying and recording necessary year-end adjustments; and preparing complete and accurate government-wide and fund financial statements and related note disclosures in conformity with GAAP.

Condition/Finding: During the audit, we identified and proposed material adjustments affecting receivables, liabilities, revenues, and expenditures. Management reviewed, approved, and recorded the proposed adjustments.

In addition, the Village relies on its independent external auditor to assist with the preparation of its annual financial statements, related note disclosures, and management's discussion and analysis. Although the use of the external auditor to assist with financial statement preparation is permitted under applicable professional standards and may be a cost-effective approach for a governmental entity of the Village's size, the external auditor cannot be considered a component of the Village's internal control over financial reporting. Accordingly, the Village does not currently have internal resources sufficient to independently identify all material year-end adjustments and prepare complete GAAP-basis financial statements without assistance from its external auditor.

Cause: Management has determined that outsourcing the preparation of the annual financial statements to the external auditor is more cost effective than incurring the costs associated with obtaining and maintaining the specialized accounting knowledge and resources necessary to perform this function internally. The Village's limited internal financial reporting resources also contributed to the material adjustments not being identified and recorded before the audit.

Effect: The Village's accounting records were initially misstated by amounts material to the financial statements and required adjustment during the audit. In addition, because the Village relies on its external auditor for assistance with the preparation of its GAAP-basis financial statements and related disclosures, the Village does not have complete internal control over all aspects of its year-end financial reporting process. These conditions increase the risk that a material misstatement of the financial statements may not be prevented, or detected and corrected, on a timely basis by the Village's internal controls.

Recommendation: We recommend that management continue to evaluate the relative costs and benefits of obtaining the internal or external resources necessary to strengthen the Village's year-end closing and financial reporting process. At a minimum, management should establish procedures designed to identify, review, and record all necessary year-end adjustments before the audit begins. Management should also continue to evaluate whether qualified internal personnel or an accounting professional independent of the audit engagement could assist with the year-end closing process and preparation of draft GAAP-basis financial statements and related disclosures.

Views of Responsible Officials: Village management agrees with the finding regarding material audit adjustments and financial statement preparation.

Planned Corrective Action: Management has evaluated the relative costs and benefits of obtaining additional internal or external resources specifically for the preparation of the Village's annual financial statements and has determined that, at this time, the additional benefits would not outweigh the related costs. Management will continue to evaluate this determination annually. Management will also continue to review proposed audit adjustments, draft financial statements, and related note disclosures before approving the financial statements and accepting responsibility for their content and presentation.

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August 10, 2026

To the Members of the Village Council
Village of Elberta, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elberta, Michigan (the "Village") for the year ended February 28, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 February 24, 2026. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2026. We noted no transactions entered into by the Village 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.

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 Village's financial statements was:

- Management's estimate of the useful life of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop this estimate 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 corrected all such misstatements.

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 August 10, 2026.

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 Village'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 Village'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.

<u>Restriction on Use</u>

This information is intended solely for the information and use of the Village Council and management of the Village and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Gabridge & Company

Gabridge & Company, PLC
Grand Rapids, MI