VILLAGE OF ESTRAL BEACH
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

June 30, 2007

VILLAGE OF ESTRAL BEACH

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Independent Auditor's Report

President and Village Council
Village of Estral Beach
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Estral Beach, Monroe County, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Estral Beach, Monroe County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Estral Beach, Monroe County, Michigan as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 28 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

President and Village Council
Village of Estral Beach

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Estral Beach, Monroe County, Michigan's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cooley Hehl Wohlgamuth & Carlton

November 2, 2007

This section of the Village of Estral Beach's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, and Capital Projects Funds.

The Governmental Accounting Standards Council (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of Estral Beach financially as a whole. The ***Government-Wide Financial Statements,*** which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's individual funds - the General Fund, the Major Street Fund, the Local Street Fund, the 1952 Dike Fund, and the Fire Millage Fund. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the Village acts solely as an agent for the benefit of the public. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

Budgetary Information for Major Funds
(Required Supplemental Information)

Other Supplemental Information

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 10-11), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. However, the Village's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Village, which encompass all of the Village's services, including general government services, public safety, public works, and recreation. Property taxes, state grants, and licenses and permits finance most of these activities.

Fund Financial Statements

The Village's Fund Financial Statements (pages 12-18) provide detailed information about the individual funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's two types of funds, governmental and fiduciary, use different accounting approaches as described below:

Governmental funds - All of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 17.

Fiduciary funds - An Agency Fund is used to account for assets held by the Village as an agent for the collection and disbursement of property taxes.

Government–Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of June 30, 2007 and 2006:

Table 1:

Comparative Statement of Net Assets

	Governmental Activities	
	2007	2006
Current and other assets	$174,190	$416,114
Capital assets	463,514	206,597
Total Assets	637,704	622,711
Current and other liabilities	15,123	6,951
Long-term liabilities	0	7,837
Total Liabilities	15,123	14,788
Net Assets:		
Invested in capital assets, net of related debt	461,947	198,760
Restricted for:		
Public access	7,342	4,152
Streets and highways	64,651	326,692
Flood control	27,940	26,391
Fire protection	30,837	25,197
Unrestricted	29,864	26,731
Total Net Assets	$622,581	$602,923

As depicted in Table 1, the Village's net assets were $622,581 at June 30, 2007. Of this amount, a positive $29,864 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today,* including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

Government–Wide Financial Analysis – Concluded

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended June 30, 2007 and 2006:

Table 2:

Comparative Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues		
Program revenues:		
Charges for services	$ 5,525	$ 7,388
State and local grants	49,761	83,342
	55,286	90,730
General revenues:		
Property taxes	116,090	111,409
State grants	38,881	42,546
Other general revenues and transfers, net	15,556	12,816
	170,527	166,771
Total Revenues	225,813	257,501
Functions/Program Expenses		
Legislative	1,181	754
General government	30,390	31,607
Public safety	51,498	82,526
Public works	93,513	73,960
Culture and recreation	-	62
Other	34,573	33,591
Total Expenses	211,155	222,500
Increase (Decrease) in Net Assets	$ 14,658	$ 35,001

As indicated in Table 2, the cost of *all governmental* activities this year was $211,155. Of this amount, $55,286 was subsidized with revenue generated from charges for services, rentals and grants with the remaining costs financed with general revenues.

The Village experienced an increase in net assets of $14,658. Key reasons for this increase are the lack of spending in the street funds. The increase in net assets differs from the change in fund balance. A reconciliation of the change in fund balances to the change in net assets appears on page 14.

Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of Estral Beach is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the governmental funds reported a combined fund balance of $160,634, which is a decrease of $248,529 from last year. The changes by funds are as follows:

	General Fund	Major Street Fund	Local Street Fund	1952 Dike Fund	Fire Millage Fund	Total
Fund balances - Beginning of year	$30,883	$215,548	$111,144	$26,391	$25,197	$409,163
Increase (decrease)	6,323	(254,498)	(7,543)	1,549	5,640	(248,529)
Fund balances - End of year	$37,206	$ (38,950)	$103,601	$27,940	$30,837	$160,634

The Village's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	June 30, 2007	June 30, 2006	Percent Change
Revenues			
Property taxes	$ 90,561	$ 87,288	3.7 %
Licenses and permits	3,637	5,857	(37.9)%
State grants	38,881	42,546	(8.6)%
Local grants	0	32,600	(100.0)%
Charges for services	440	180	144.4 %
Interest	639	912	(29.9)%
Other	13,120	7,825	67.7 %
	$147,278	$177,208	(19.7)%

Fund Financial Analysis – Concluded

Expenditures	June 30, 2007	June 30, 2006	Percent Change
Legislative	$ 1,181	$ 754	56.6 %
General government	30,361	31,578	(3.8)%
Public safety	14,699	51,056	(71.2)%
Public works	56,141	51,453	9.1 %
Culture and recreation	0	62	(100.0)%
Other	34,573	33,591	2.9 %
Operating transfers out	4,000	4,000	0 %
	$140,955	$172,494	(18.3)%

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Village Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Village may revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Revenues – Original budgeted revenues of $130,162 were amended to $140,160 to reflect increases in public access contributions, taxes, state aid and license and permit revenue. Actual revenues of $147,278 included state grants totaling $38,881. Property taxes and state aid accounted for 88% of total revenues.

Expenditures – Original budgeted expenditures of $130,100 were amended to $137,398 to reflect increases in the general government, fire department, building department, flood control, rubbish collection, and general government. The budgeted expenditures were reduced for the department of public works, street lighting, insurance and miscellaneous expense. Actual expenditures were $140,955, which included a decrease in fire department expenditures of $33,923 as a result of a grant in the prior year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007, the Village had $697,506 invested in a broad range of capital assets, including land, roads, building and building improvements, machinery and equipment, and vehicles. The amount represents an increase of $291,410 from last year. This years additions were street preservation on Lakeshore Drive and Michael Street. Depreciation for this year totaled $34,493. Detailed information regarding capital assets is included in Note 8 to the financial statements.

Debt Administration

At June 30, 2007, the Village owed $1,567 on a note payable. The Village originally borrowed $28,500 to purchase a tractor on September 4, 2002. This note matures on September 4, 2007. Detailed information regarding debt is included in Note 5 to the financial statements.

Development of the 2007-08 Fiscal Year Budget

Our elected officials consider many factors when setting the Village's 2007-08 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to important factors affecting the budget, like decreased revenue sharing from the State since it accounts for 27 percent of our revenues. The original General Fund budget for 2007-08 estimates revenues of $142,045 and expenditures of $139,800, which results in adding $2,245 to its carryover fund balance.

Contacting the Village of Estral Beach's Business Office

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of Estral Beach Clerk, P.O. Box 107, Newport, MI 48166.

VILLAGE OF ESTRAL BEACH

Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Cash and cash equivalents	$155,836
Certificates of deposit	5,000
Accounts Receivable	1,368
Due from other governmental units	11,986
Depreciable capital assets, net	463,514
Total Assets	637,704
Liabilities	
Accounts payable	13,556
Long-term liabilities:	
Due within one year	1,567
Total Liabilities	15,123
Net Assets	
Invested in capital assets, net of related debt	461,947
Restricted for:	
Public access	7,342
Streets and highways	64,651
Flood control	27,940
Fire protection	30,837
Unrestricted	29,864
Total Net Assets	$622,581

See accompanying notes to the basic financial statements.

VILLAGE OF ESTRAL BEACH

Statement of Activities
Year Ended June 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Governmental Activities:					
Legislative	$1,181	$0	$0	$0	($1,181)
General government	30,390	440	0	0	(29,950)
Public safety	51,498	3,637	0	0	(47,861)
Public works	93,513	1,448	49,761	0	(42,304)
Recreation and culture	0	0	0	0	0
Other	34,573	0	0	0	(34,573)
Total Governmental Activities	$211,155	$5,525	$49,761	$0	(155,869)

General Revenues:	
Property taxes	116,090
State grants	38,881
Interest income	3,787
Other	11,769
Total General Revenues	170,527
Change in Net Assets	14,658
Net Assets - Beginning of year	607,923
Net Assets - End of year	$622,581

See accompanying notes to the basic financial statements.

VILLAGE OF ESTRAL BEACH

Governmental Funds
Balance Sheet
June 30, 2007

		Special Revenue Funds	
	General	Major Street	Local Street
Assets			
Cash and cash equivalents	$26,096	$24,596	$46,079
Certificates of deposit	0	0	0
Accounts Receivable	1,368	0	0
Due from other funds	6,619	0	60,500
Due from other governmental units	11,986	0	0
Total Assets	$46,069	$24,596	$106,579
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$5,676	$0	$0
Due to other funds	3,187	63,546	2,978
Total Liabilities	8,863	63,546	2,978
Fund Balances			
Reserved for public access	7,342	0	0
Unreserved:			
Undesignated, reported in:			
General Fund	29,864	0	0
Special Revenue Funds	0	(38,950)	103,601
Capital Projects Funds	0	0	0
Total Fund Balances	37,206	(38,950)	103,601
Total Liabilities and Fund Balances	$46,069	$24,596	$106,579

See accompanying notes to the basic financial statements.

Capital Projects Funds		
1952 Dike	Fire Millage	Totals
$23,535	$35,530	$155,836
5,000	0	5,000
0	0	1,368
0	3,187	70,306
0	0	11,986
$28,535	$38,717	$244,496
$0	$7,880	$13,556
595	0	70,306
595	7,880	83,862
0	0	7,342
0	0	29,864
0	0	64,651
27,940	30,837	58,777
27,940	30,837	160,634
$28,535	$38,717	$244,496

VILLAGE OF ESTRAL BEACH

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds		$160,634
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
Cost of the capital assets	$697,506	
Accumulated depreciation	(233,991)	
		463,515
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Note payable		(1,568)
Total Net Assets - Governmental Activities		$622,581

See accompanying notes to the basic financial statements.

VILLAGE OF ESTRAL BEACH

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2007

		Special Revenue Funds	
	General	Major Street	Local Street
Revenues			
Property taxes	$90,561	$0	$0
Licenses and permits	3,637	0	0
State grants	38,881	37,006	12,755
Charges for services	440	0	0
Interest income	639	1,910	827
Other revenue	13,120	97	0
Total Revenues	147,278	39,013	13,582
Expenditures			
Legislative	1,181	0	0
General government	30,361	0	0
Public safety	14,699	0	0
Public works	56,141	284,511	30,125
Other	34,573	0	0
Total Expenditures	136,955	284,511	30,125
Excess (Deficiency) of Revenue Over Expenditures	10,323	(245,498)	(16,543)
Other Financing Sources (Uses)			
Operating transfers in	0	0	9,000
Operating transfers out	(4,000)	(9,000)	0
Total Other Financing Sources (Uses)	(4,000)	(9,000)	9,000
Net Change in Fund Balances	6,323	(254,498)	(7,543)
Fund Balances - Beginning of year	30,883	215,548	111,144
Fund Balances - End of year	$37,206	($38,950)	$103,601

See accompanying notes to the basic financial statements.

Capital Projects Funds		Total
1952 Dike	Fire Millage	Governmental Funds
$0	$25,529	$116,090
0	0	3,637
0	0	88,642
0	0	440
150	261	3,787
0	0	13,217
150	25,790	225,813
0	0	1,181
0	0	30,361
2,601	20,150	37,450
0	0	370,777
0	0	34,573
2,601	20,150	474,342
(2,451)	5,640	(248,529)
4,000	0	13,000
0	0	(13,000)
4,000	0	0
1,549	5,640	(248,529)
26,391	25,197	409,163
$27,940	$30,837	$160,634

VILLAGE OF ESTRAL BEACH

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds		($248,529)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.		
Depreciation expense	($34,493)	
Capital outlay	291,410	
		256,917
Repayments of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).		6,270
Change in Net Assets of Governmental Activities		$14,658

See accompanying notes to the basic financial statements.

VILLAGE OF ESTRAL BEACH

Agency Fund
Statement of Fiduciary Net Assets
June 30, 2007

	Tax Collection Agency Fund
Assets	
Cash	$1,368
Liabilities and net assets	
Due to other governmental units	$1,368

See accompanying notes to the basic financial statements.

Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected five member Council form of government.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village. For the Village, this includes general operations, library, fire, debt, street maintenance and construction, dike repairs, and fire protection.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of Estral Beach have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. All of the Village's government-wide activities are considered to be governmental activities. 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. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Major governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)
Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

The Village reports the following major governmental funds:

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

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The 1952 Dike Fund accounts for revenues accumulated to be used for maintaining the dike system.

The Fire Millage Fund accounts for proceeds from a tax millage for the purpose of operating and upgrading fire and rescue service and equipment.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village does not have any nonmajor governmental funds.

C. Assets, Liabilities, and Net Assets or Equity
Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Note 2 Summary of Significant Accounting Policies (Continued)
Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)
Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets.

Capital Assets - General capital assets are those assets related to the general activities and expenditures reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of one thousand dollars. The Village does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Roads	20 years
Buildings and buildings improvements	50 years
Machinery and equipment	10 years
Vehicles	8 years

Accrued Liabilities and Long-Term Obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Property Taxes - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent September 14 of the following year.

Note 2 Summary of Significant Accounting Policies (Concluded)
Basis of Presentation (Concluded)

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

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.

2. A public hearing is conducted during June to obtain taxpayer comments.

3. Prior to June 30, the budget is legally enacted through passage of a resolution.

4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

Note 3 Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

During the year ended June 30, 2007, expenditures exceeded final budgeted amounts in the following funds:

	Final Budget	Actual Expenditures	Variance
General Fund	$133,398	$136,955	$(3,557)
Major Street Fund	280,385	284,511	(4,126)
Local Street Fund	26,451	30,125	(3,674)
1952 Dike Fund	1,070	2,601	(1,531)
Fire Millage Fund	9,400	20,150	(10,750)

Note 4 Property Tax

The Village bills and collects its own property taxes. Tax collections are accounted for in the Tax Collection Agency Fund. The Village tax levy was spread as follows:

	Mills	Levy
General Fund	4.9927	$ 67,500
Rubbish	1.7058	23,061
Fire Millage Fund	1.8884	25,529

The Village's 2006 property taxes, levied on July 1, 2006 on assessed valuation as of December 31, 2005, were due and payable by September 14, 2006 per an extension approved by the Village Council. Taxable values, which amounted to $13,520,134, are based on a percentage of the fair market value of the assessed property. Property tax revenue is recorded when the taxes are levied.

Note 5 Long-Term Debt

The Village has a note payable to Monroe Bank & Trust for the purchase of a New Holland Tractor. The note, dated September 4, 2002, is secured by the equipment and is payable at $545 per month for sixty months. The note has an interest rate of 5.5% and is due September 4, 2007. The following is a summary of changes in long-term debt:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due in One Year
Note payable to Monroe Bank & Trust for New Holland Tractor.	$7,837	$ -	$6,270	$1,567	$1,567

Note 5 Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at June 30, 2007, are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	$1,567	$69	$1,636

Note 6 Interfund Payables and Receivables

Such balances at June 30, 2007, were:

	Interfund Receivable	Interfund Payable
General Fund:		
Major Street Fund	$ 3,046	$ -
Local Street Fund	2,978	-
1952 Dike Fund	595	-
Fire Millage Fund	-	3,187
Major Street Fund:		
General Fund	-	3,046
Local Street Fund	-	60,500
Local Street Fund:		
General Fund	-	2,978
Major Street Fund	60,500	-
1952 Dike Fund:		
General Fund	-	595
Fire Millage Fund:		
General Fund	3,187	-
	$70,306	$70,306

Interfund balances reflect temporary loans and reimbursements due in the normal course of interfund activity.

Note 7 Interfund Transfers

Interfund transfers at June 30, 2007, consisted of the following:

	Transfers Out		
	General Fund	Major Street Fund	Total
Transfers In:			
1952 Dike Fund	$4,000	$ -	$ 4,000
Local Street Fund	-	9,000	9,000
	$4,000	$9,000	$13,000

Note 7 Interfund Transfers (Concluded)

The transfer from the General Fund to the 1952 Dike Fund represents an effort by the Village to accumulate funds for eventual dike repairs and maintenance. The transfer from the Major Street Fund to the Local Street Fund represents approximately 25% of the Major Street Fund's Act 51 monies that are allowed to be transferred to the Local Street Fund.

Note 8 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Assets not being depreciated:				
Land	$12,000	$0	$0	$12,000
Capital assets being depreciated:				
Roads	114,962	291,410	0	406,372
Building and building improvements	61,446	0	0	61,446
Machinery and equipment	124,188	0	0	124,188
Vehicles	93,500	0	0	93,500
Total capital assets	406,096	291,410	0	697,506
Less accumulated depreciation:				
Roads	(21,555)	(14,248)	0	(35,803)
Building and building improvements	(56,309)	(229)	0	(56,538)
Machinery and equipment	(61,083)	(9,578)	0	(70,661)
Vehicles	(60,552)	(10,438)	0	(70,990)
Total accumulated depreciation	(199,499)	(34,493)	0	(233,992)
Net capital assets	$206,597	$256,917	$0	$463,514

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

Governmental activities:

General government	$ 29
Public safety	14,048
Public works	20,416
Total governmental activities	$34,493

Note 9 Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Council has adopted an investment policy authorizing certain types of investments and authorized one depository: Monroe Bank and Trust.

Interest rate risk. The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Village's investment policy.

Concentration of credit risk. The Village does not place any limits on the amount the Village may deposit or invest in any one issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover the collateral securities in the possession of an outside party. The Village has $163,225 invested in certificates of deposit, checking accounts, and money markets. The Village's deposits are insured by the FDIC in the amount of $100,000, with uninsured deposits of $63,225. The Village's deposits are at institutions with an established record of fiscal health and service. The Village Council approves and designates a list of authorized depository institutions. The Village's investment policy does not address deposit risk.

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

Note 10 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 11 Contingent Liability

The Village of Estral Beach is subject to the Michigan Employment Security Act and would be liable for valid unemployment claims on a reimbursement basis. For the year ended June 30, 2007, the Village incurred $-0- of expense and no provision has been made for any additional potential liability.

Note 12 Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending June 30, 2007, of $3,367 did not exceed the related costs and administrative overhead.

VILLAGE OF ESTRAL BEACH

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2007

	Budgeted Amounts			Positive (Negative)
	Original	Final	Actual	Budget
Revenues				
Taxes:				
Operating	$65,338	$66,513	$67,500	$987
Rubbish	22,324	22,724	23,061	337
	87,662	89,237	90,561	1,324
Licenses and permits	1,000	3,489	3,637	148
State grants:				
State revenue sharing	36,000	37,329	38,881	1,552
Charges for services:				
Hall rental	1,000	1,030	440	(590)
Interest income	500	100	639	539
Other revenue:				
Contributions - Public Access	1,000	4,083	3,485	(598)
Franchise fee - cable	1,000	1,909	1,909	0
Equipment Rental	0	0	1,448	1,448
Miscellaneous	2,000	2,983	6,278	3,295
	4,000	8,975	13,120	4,145
Total Revenues	130,162	140,160	147,278	7,118
Expenditures				
Legislative:				
Village council	1,000	1,051	1,181	(130)
General government:				
President			89	
Elections			0	
Audit			7,230	
Attorney			2,500	
Clerk			4,058	
Treasurer			3,089	
Buildings and grounds			13,395	
	26,000	27,610	30,361	(2,751)

VILLAGE OF ESTRAL BEACH

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2007

	Budgeted Amounts			Positive (Negative)
	Original	Final	Actual	Budget
Expenditures (Concluded)				
Public safety:				
Fire department	$7,800	$9,112	$7,020	$2,092
Building department	3,000	7,190	7,679	(489)
	10,800	16,302	14,699	1,603
Public works:				
Department of public works	20,000	16,650	18,471	(1,821)
Flood control	3,000	5,800	4,787	1,013
Street lighting	9,000	8,400	8,323	77
Rubbish collection	22,300	24,600	24,560	40
	54,300	55,450	56,141	(691)
Other:				
Public Access	0	0	135	(135)
Insurance and bonds	32,000	31,285	31,966	(681)
Miscellaneous	2,000	1,700	2,472	(772)
	34,000	32,985	34,573	(1,588)
Total Expenditures	126,100	133,398	136,955	(3,557)
Excess (Deficiency) of Revenues Over Expenditures	4,062	6,762	10,323	3,561
Other Financing Sources (Uses)				
Operating transfers out	(4,000)	(4,000)	(4,000)	0
Net Change in Fund Balance	62	2,762	6,323	3,561
Fund Balance - Beginning of year	32,252	30,883	30,883	0
Fund Balance - End of year	$32,314	$33,645	$37,206	$3,561

VILLAGE OF ESTRAL BEACH

Major Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants	$38,000	$34,000	$37,006	$3,006
Interest income	150	100	1,910	1,810
Miscellaneous	0	0	97	97
Total Revenues	38,150	34,100	39,013	4,913
Expenditures				
Public works:				
Preservation	150,000	271,913	271,913	0
Routine maintenance	2,500	6,500	10,463	(3,963)
Traffic services	500	1,100	1,120	(20)
Winter maintenance	3,000	360	240	120
Administration and engineering	1,050	512	775	(263)
Total Expenditures	157,050	280,385	284,511	(4,126)
Excess (Deficiency) of Revenues Over Expenditures	(118,900)	(246,285)	(245,498)	787
Other Financing Sources (Uses)				
Operating transfers out	(9,000)	(9,000)	(9,000)	0
Net Change in Fund Balance	(127,900)	(255,285)	(254,498)	787
Fund Balance - Beginning of year	216,197	215,548	215,548	0
Fund Balance - End of year	$88,297	($39,737)	($38,950)	$787

VILLAGE OF ESTRAL BEACH

Local Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants	$13,500	$12,000	$12,755	$755
Interest income	100	94	827	733
Total Revenues	13,600	12,094	13,582	1,488
Expenditures				
Public works:				
Preservation	30,000	19,500	19,497	3
Routine maintenance	4,000	5,500	9,234	(3,734)
Traffic services	500	660	672	(12)
Winter maintenance	1,500	360	240	120
Administration and engineering	440	431	482	(51)
Total Expenditures	36,440	26,451	30,125	(3,674)
Excess (Deficiency) of Revenues Over Expenditures	(22,840)	(14,357)	(16,543)	(2,186)
Other Financing Sources (Uses)				
Operating transfers in	9,000	9,000	9,000	0
Net Change in Fund Balance	(13,840)	(5,357)	(7,543)	(2,186)
Fund Balance - Beginning of year	112,178	111,144	111,144	0
Fund Balance - End of year	$98,338	$105,787	$103,601	($2,186)

VILLAGE OF ESTRAL BEACH

1952 Dike Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest income	$80	$150	$150	$0
Total Revenues	80	150	150	0
Expenditures				
Public safety:				
Maintenance expense	4,000	1,070	2,601	(1,531)
Excess (Deficiency) of Revenues Over Expenditures	(3,920)	(920)	(2,451)	(1,531)
Other Financing Sources (Uses)				
Operating transfers in	4,000	4,000	4,000	0
Net Change in Fund Balance	80	3,080	1,549	(1,531)
Fund Balance - Beginning of year	27,083	27,083	26,391	(692)
Fund Balance - End of year	$27,163	$30,163	$27,940	($2,223)

VILLAGE OF ESTRAL BEACH

Fire Millage Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	$24,713	$25,157	$25,529	$372
Local grant	1,000	0	0	0
Interest income	100	65	261	196
Total Revenues	25,813	25,222	25,790	568
Expenditures				
Public safety:				
Training	5,000	0	2,583	(2,583)
Fire protection	16,000	9,400	17,567	(8,167)
Total Expenditures	21,000	9,400	20,150	(10,750)
Net Change in Fund Balance	4,813	15,822	5,640	(10,182)
Fund Balance - Beginning of year	13,968	25,197	25,197	0
Fund Balance - End of year	$18,781	$41,019	$30,837	($10,182)

VILLAGE OF ESTRAL BEACH

Tax Collection Agency Fund
Statement of Changes in Assets and Liabilities
June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash	$1	$119,051	$117,684	$1,368
Liabilities				
Due to other governmental units	$1	$119,051	$117,684	$1,368

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Village Council
Village of Estral Beach
Monroe, Michigan 48162

In planning and performing our audit of the financial statements of the Village of Estral Beach as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

Financial Statements

The Village does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the government has historically relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the government lacks internal controls over the preparation of the financial statements in accordance with GAAP.

The following comments are not significant deficiencies or material weaknesses but are suggestions to improve your existing accounting and control systems.

Due to Other Funds

The following checks should be written to resolve the outstanding interfund receivables and payables:

Local Street Fund check to General Fund	$ 2,977.88
Major Street Fund check to General Fund	3,045.68
1952 Dike Fund check to General Fund	594.58
General Fund to Fire Millage Fund	3,186.85
Major Street Fund to Local Street Fund	20,000.00

Budgets

We reviewed the Village's budgets for compliance with the state budget law. Even though the Village amended their original budget, there were still several areas where expenditures exceeded appropriations. Greater care needs to be taken when amending budgets to assure that expenditures do not exceed the budgeted amount.

Deficit Elimination Plan

The Major Street Fund ended the year with a deficit fund balance of $38,950. The Village needs to adopt a deficit elimination plan and submit the plan to the State of Michigan.

We would be happy to meet with Village officials or the Village Council at any time in order to answer any questions concerning matters mentioned in this letter or concerning the audit report. It has been a pleasure to be of service to you and we appreciate the cooperation which we received during the audit.

Very truly yours,

Cooley Hehl Wahlgamuth & Carlton

November 2, 2007