

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
TYNDALL, SOUTH DAKOTA

FINANCIAL REPORT

DECEMBER 31, 2015

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota

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December 31, 2015

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Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tyndall Housing and Redevelopment
Commission
P.O. Box 262
Tyndall, South Dakota 57066

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Tyndall Housing and Redevelopment Commission, a component unit of the Municipality of Tyndall, as of December 31, 2015, and for the year then ended, and the related notes to the financial statements, which collectively comprise Tyndall Housing and Redevelopment Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Tyndall Housing and Redevelopment Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Tyndall Housing and Redevelopment Commission's preparation and fair presentation of the financial statements 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 Tyndall Housing and Redevelopment Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Tyndall Housing and Redevelopment Commission, as of December 31, 2015, 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.

Other Matters

Required Supplementary Information

Tyndall Housing and Redevelopment Commission has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tyndall Housing and Redevelopment Commission's financial statements. The Supplementary Schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2016 on our consideration of Tyndall Housing and Redevelopment Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is 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 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 Tyndall Housing and Redevelopment Commission's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
 Certified Public Accountants
 May 12, 2016

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
 P.O. Box 247
 105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota
STATEMENT OF NET POSITION
December 31, 2015

| | <u>LIDI I</u> | <u>LIDI II</u> | <u>TOTAL</u> |
|---------------------------------------------------------|---------------------|---------------------|-----------------------|
| <u>ASSETS:</u> | | | |
| <u>Current Assets:</u> | | | |
| Cash in Bank - Operating | 1,140.42 | 579.05 | 1,719.47 |
| Due from LIDI I | 0.00 | 50.50 | 50.50 |
| Total Current Assets | <u>1,140.42</u> | <u>629.55</u> | <u>1,769.97</u> |
| <u>Deposits Held in Trust - Savings:</u> | | | |
| Resident Security Deposits (Note 2) | 5,927.95 | 2,492.99 | 8,420.94 |
| <u>Prepaid Expenses:</u> | | | |
| Other Insurance | 85.00 | 0.00 | 85.00 |
| <u>Restricted Deposits and Funded Reserves (Note 3)</u> | | | |
| Tax Escrow | - | 20.70 | 20.70 |
| Insurance Escrow | 4,362.00 | 2,253.82 | 6,615.82 |
| Reserve for Replacement | 145,312.91 | 57,238.19 | 202,551.10 |
| Reserve for Painting | 45,752.00 | 15,112.00 | 60,864.00 |
| Development Cost Escrow | 60,695.78 | 25,877.97 | 86,573.75 |
| Residual Receipts Reserve | 580,189.90 | 245,849.22 | 826,039.12 |
| Total Restricted Deposits and Funded Reserves | <u>836,312.59</u> | <u>346,351.90</u> | <u>1,182,664.49</u> |
| <u>Capital Assets:</u> | | | |
| <u>Property and Equipment:</u> | | | |
| Land | 31,776.00 | 7,500.00 | 39,276.00 |
| Land Improvements | 140,439.57 | 26,569.04 | 167,008.61 |
| Buildings | 1,191,071.49 | 441,331.43 | 1,632,402.92 |
| Building Equipment - Portable | 62,322.62 | 63,493.16 | 125,815.78 |
| Furnishings | 67,469.15 | 5,606.63 | 73,075.78 |
| Total Property and Equipment | <u>1,493,078.83</u> | <u>544,500.26</u> | <u>2,037,579.09</u> |
| <u>Accumulated Depreciation:</u> | | | |
| Land Improvements | (65,299.83) | (16,711.50) | (82,011.33) |
| Buildings | (770,295.53) | (315,770.84) | (1,086,066.37) |
| Building Equipment - Portable | (54,482.83) | (58,737.51) | (113,220.34) |
| Furnishings | (63,283.06) | (5,484.64) | (68,767.70) |
| Total Accumulated Depreciation | <u>(953,361.25)</u> | <u>(396,704.49)</u> | <u>(1,350,065.74)</u> |
| Total Net Capital Assets | <u>539,717.58</u> | <u>147,795.77</u> | <u>687,513.35</u> |
| TOTAL ASSETS | <u>1,383,183.54</u> | <u>497,270.21</u> | <u>1,880,453.75</u> |

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

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota
STATEMENT OF NET POSITION
December 31, 2015
(Continued)

| | <u>LIDI I</u> | <u>LIDI II</u> | <u>TOTAL</u> |
|--------------------------------------------------|----------------------------|--------------------------|----------------------------|
| <u>LIABILITIES AND NET POSITION:</u> | | | |
| <u>Liabilities:</u> | | | |
| <u>Current Liabilities:</u> | | | |
| Due to LIDI II | 50.50 | 0.00 | 50.50 |
| Accrued Interest | 286.97 | 859.10 | 1,146.07 |
| Property Taxes Payable (Note 4) | 4,400.00 | 2,492.64 | 6,892.64 |
| Mortgage Payable - Current Maturities | 30,218.17 | 15,510.98 | 45,729.15 |
| Total Current Liabilities | <u>34,955.64</u> | <u>18,862.72</u> | <u>53,818.36</u> |
| <u>Deposit and Prepayment Liabilities</u> | | | |
| Tenant Security Deposits (Note 2) | <u>5,819.00</u> | <u>930.28</u> | <u>6,749.28</u> |
| <u>Long-Term Liabilities</u> | | | |
| Mortgage Payable (Note 6) | <u>26,607.50</u> | <u>91,319.52</u> | <u>117,927.02</u> |
| Total Liabilities | <u>67,382.14</u> | <u>111,112.52</u> | <u>178,494.66</u> |
| <u>Net Position:</u> | | | |
| Net Investment in Capital Assets | 482,891.91 | 40,965.27 | 523,857.18 |
| Restricted Net Position, Restricted for: | | | |
| Tax Escrow | - | 20.70 | 20.70 |
| Insurance Escrow | 4,362.00 | 2,253.82 | 6,615.82 |
| Reserve for Replacement | 145,312.91 | 57,238.19 | 202,551.10 |
| Reserve for Painting | 45,752.00 | 15,112.00 | 60,864.00 |
| Development Cost Escrow | 60,695.78 | 25,877.97 | 86,573.75 |
| Residual Receipts Reserve | 580,189.90 | 245,849.22 | 826,039.12 |
| Unrestricted Net Position | <u>(3,403.10)</u> | <u>(1,159.48)</u> | <u>(4,562.58)</u> |
| Total Net Position | <u>1,315,801.40</u> | <u>386,157.69</u> | <u>1,701,959.09</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>1,383,183.54</u> | <u>497,270.21</u> | <u>1,880,453.75</u> |

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

**TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL**

Tyndall, South Dakota

**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND NET POSITION
For the Years Ended December 31, 2015**

| | <u>LIDI I</u> | <u>LIDI II</u> | <u>TOTAL</u> |
|----------------------------------------------|---------------------|--------------------|---------------------|
| <u>OPERATING REVENUE:</u> | | | |
| Net Rental Revenue | 110,000.00 | 62,316.00 | 172,316.00 |
| Laundry Income | 1,890.00 | 734.00 | 2,624.00 |
| Garage Rent | 5,980.00 | 3,640.00 | 9,620.00 |
| Total Operating Revenue | <u>117,870.00</u> | <u>66,690.00</u> | <u>184,560.00</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Administrative Expense | 18,667.00 | 11,662.00 | 30,329.00 |
| Utility Expense | 26,464.00 | 10,010.00 | 36,474.00 |
| Operating and Maintenance Expense | 17,088.00 | 9,287.00 | 26,375.00 |
| Depreciation | 43,234.48 | 16,669.93 | 59,904.41 |
| Taxes and Insurance | 19,234.00 | 8,713.64 | 27,947.64 |
| Corporate or Mortgagor Expense | 2,262.00 | 0.00 | 2,262.00 |
| Hap Credit Disbursement | 0.00 | 21,864.00 | 21,864.00 |
| Total Operating Expenses | <u>126,949.48</u> | <u>78,206.57</u> | <u>205,156.05</u> |
| <u>OPERATING INCOME</u> | <u>(9,079.48)</u> | <u>(11,516.57)</u> | <u>(20,596.05)</u> |
| <u>NONOPERATING REVENUE (EXPENSE):</u> | | | |
| Earnings on Deposits and Investments | 22,769.86 | 9,732.84 | 32,502.70 |
| Interest Expense and Fiscal Charges | (4,242.34) | (10,943.13) | (15,185.47) |
| Total Nonoperating Revenue (Expenses) | <u>18,527.52</u> | <u>(1,210.29)</u> | <u>17,317.23</u> |
| <u>EXCESS REVENUES OVER (UNDER) EXPENSES</u> | <u>9,448.04</u> | <u>(12,726.86)</u> | <u>(3,278.82)</u> |
| <u>NET POSITION, BEGINNING OF YEAR</u> | <u>1,306,353.36</u> | <u>398,884.55</u> | <u>1,705,237.91</u> |
| <u>NET POSITION, END OF YEAR</u> | <u>1,315,801.40</u> | <u>386,157.69</u> | <u>1,701,959.09</u> |

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

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2015

| | <u>LIDI I</u> | <u>LIDI II</u> | <u>TOTAL</u> |
|-----------------------------------------------------------------------------------------|--------------------|--------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | |
| Rents Received from Tenants | 110,000.00 | 62,316.00 | 172,316.00 |
| Service and Other Income | 7,870.00 | 4,374.00 | 12,244.00 |
| Cash Payments to Suppliers for Goods and Services | (83,625.67) | (39,812.52) | (123,438.19) |
| Cash Payments for HAP Credit | 0.00 | (21,864.00) | (21,864.00) |
| Net Cash Provided (Used) by Operating Activities | <u>34,244.33</u> | <u>5,013.48</u> | <u>39,257.81</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | | |
| Purchase of Equipment | (11,167.24) | (5,746.63) | (16,913.87) |
| Interest Paid | (4,385.99) | (11,056.43) | (15,442.42) |
| Mortgage Payments | (28,445.65) | (14,089.57) | (42,535.22) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(43,998.88)</u> | <u>(30,892.63)</u> | <u>(74,891.51)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | |
| Interest Received | 22,769.86 | 9,732.84 | 32,502.70 |
| Net Cash Provided (Used) by Investing Activities | <u>22,769.86</u> | <u>9,732.84</u> | <u>32,502.70</u> |
| <u>Net Increase (Decrease) in Cash & Cash Equivalents During the Fiscal Year</u> | <u>13,015.31</u> | <u>(16,146.31)</u> | <u>(3,131.00)</u> |
| <u>Cash & Cash Equivalents at Beginning of Year</u> | <u>830,365.65</u> | <u>365,570.25</u> | <u>1,195,935.90</u> |
| <u>Cash & Cash Equivalents at End of Year</u> | <u>843,380.96</u> | <u>349,423.94</u> | <u>1,192,804.90</u> |
| <u>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</u> | | | |
| Operating Income | (9,079.48) | (11,516.57) | (20,596.05) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation Expense | 43,234.48 | 16,669.93 | 59,904.41 |
| (Increase) Decrease in Accounts Receivables | 0.00 | (2.35) | (2.35) |
| (Increase) Decrease in Prepaid Expenses | 9.50 | 0.00 | 9.50 |
| Increase (Decrease) in Accounts Payable | 2.35 | 0.00 | 2.35 |
| Increase (Decrease) in Tenant Security Deposit Payable | (13.00) | (258.25) | (271.25) |
| Increase (Decrease) in Accrued Property Taxes | 90.48 | 120.72 | 211.20 |
| Net Cash Provided (Used) by Operating Activities | <u>34,244.33</u> | <u>5,013.48</u> | <u>39,257.81</u> |

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The funds included in this report are controlled by or dependent upon the board of directors.

The accounting policies of the housing commission conform to generally accepted accounting principles as applicable to governments.

b. Fund Accounting

The Tyndall Housing and Redevelopment Commission, a Public Housing Authority (PHA), is engaged in providing affordable housing and housing assistance to the low income, handicapped and elderly through low rent housing programs.

The low rent housing programs of the Commission are regulated by and follow uniform systems of accounts and accounting procedures as prescribed for the particular program by the United States Department of Housing and Urban Development (HUD). The programs are primarily funded with subsidies from HUD and tenant rents.

The programs consist of the following:

a. LIDI I

This program, HUD Project No. SD99-H001-44, consists of a twenty-four unit low rent public housing facility for the elderly. The project receives monthly housing assistance payments through the South Dakota Housing Development Authority (SDHDA) as assistance to support this program.

b. LIDI II

This program, HUD Project No. SD99-H001-103, consists of a ten elderly low rent public housing units. The project receives monthly housing assistance payments through the South Dakota Housing Development Authority (SDHDA) as assistance to support this program.

These programs are administered by public housing authorities authorized under state law to operate housing programs within an area or jurisdiction and are regulated by the United States Department of Housing and Urban Development (HUD) as to rental charges, rental subsidies and operating methods. The Commission receives subsidies and grants from HUD to assist in covering the costs of the Commission's low rent housing programs. The Commission is required to prepare and adopt annual operating budgets for each of its low rent housing programs.

Low-income families who participate in these housing assistance programs, tenants of the project, typically pay a portion of their housing costs. This generally amounts to the greater of either thirty (30) percent of their adjusted gross income, based on HUD guidelines, or ten (10) percent of their gross income. The remaining portion of the rent for the units is paid by HUD either through public housing program subsidies or through SDHDA in the form of housing assistance payments (HAP).

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)**

c. Basis of Presentation

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

d. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the financial statements, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on each proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|-----------------------------------|-----------------------------|------------------------|--------------------------|
| Land & Land Rights | \$ 0.00 | --- N/A --- | --- N/A --- |
| Improvements Other than Buildings | \$ 1.00 | Straight-Line | 15-27.5 yrs. |
| Buildings | \$ 1.00 | Straight-Line | 7-40 yrs. |
| Machinery & Equipment | \$ 1.00 | Straight-Line | 5-12 yrs. |

Land is an inexhaustible capital asset and is not depreciated.

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)**

Interest costs incurred during construction of capital assets are required to be capitalized along with other capital asset costs. There was no significant interest to capitalize on this entity.

e. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

f. Deposits and Investments

The Commission follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Commission’s deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

The actual bank balances at December 31, 2015 were as follows:

| | <u>Bank Balance</u> | |
|---------------------|---------------------|--------------------|
| | <u>LIDI I</u> | <u>LIDI II</u> |
| Insured (FDIC/NCUA) | \$ 10,497.13 | \$ 4,146.07 |
| Total Deposits | <u>\$ 10,497.13</u> | <u>\$ 4,146.07</u> |

The carrying amount of deposits on the December 31, 2015 balance sheet was \$10,140.41

Investments – SDCL 11-7-31 permits a commission power to invest any funds held in reserves or debt service funds, or any funds not required for immediate disbursement, in property or securities in which savings banks may legally invest funds subject to their control. In general, SDCL 4-5-6 permits funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Interest Rate Risk – The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

Credit Risk – State law limits eligible investments for the Commission, as discussed above. The Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Commission places no limit on the amount that may be invested in any one issuer.

The Tyndall Housing and Redevelopment Commission had restricted deposits of \$1,182,664.49 in accounts administered by the South Dakota Housing Development Authority (SDHDA) and invested along with other funds of the State of South Dakota. These funds are restricted funds, which are required to be kept with the South Dakota Housing Development Authority, and may be used only for specified purposes.

g. Cash Flows

For purposes of the statement of cash flows, the Commission considers all highly liquid investments as deposits with a term to maturity of three months or less to be cash equivalents.

h. Compensated Absences

The employees do not earn annual leave and sick leave.

i. Revenue and Expense Classifications

In the Statement of Revenues, Expenses, and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. Equity Classifications

Equity is classified as Net Position and is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

k. Application of Net Position

It is the Commission’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

2. TENANT SECURITY DEPOSITS

The tenants are required to make security deposits when they move in. These deposits help pay for damage caused by the tenants and for delinquent rents at the time the tenant vacates the unit. The amount left after these adjustments, if any, is refunded to the tenant.

3. RESTRICTED DEPOSITS AND FUNDED RESERVES

These funds are restricted for specified purposes as detailed on the Statement of Net Position and cannot be withdrawn or used in the general operation of the business without prior approval of the South Dakota Housing Development Authority.

4. ACCRUED PROPERTY TAXES

Payments in lieu of property taxes, due in the following year, are determined as follows:

| | <u>LIDI I</u> | <u>LIDI II</u> |
|------------------------------------------|---------------|----------------|
| Net Rental Income | \$ 110,000.00 | 62,316.00 |
| Shelter Rents – 40% of Net Rental Income | \$ 44,000.00 | \$ 24,926.40 |
| Payment – 10% of Shelter Rents | \$ 4,400.00 | \$ 2,492.64 |

**TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)**

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2015 is as follows:

| | Balance 1/01/2015 | Increases | Decreases | Balance 12/31/2015 |
|---------------------------------------------|--------------------------|---------------------------|--------------------|--------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | 39,276.00 | | | 39,276.00 |
| Total Capital Assets, Not Being Depreciated | <u>39,276.00</u> | <u>0.00</u> | <u>0.00</u> | <u>39,276.00</u> |
| Capital Assets Being Depreciated: | | | | |
| Land Improvement | 167,008.61 | 0.00 | | 167,008.61 |
| Buildings | 1,617,186.05 | 15,216.87 | | 1,632,402.92 |
| Building Equipment - Portable | 125,116.78 | 699.00 | | 125,815.78 |
| Furnishings | 72,077.78 | 998.00 | | 73,075.78 |
| Totals | <u>1,981,389.22</u> | <u>16,913.87</u> | <u>0.00</u> | <u>1,998,303.09</u> |
| Less Accumulated Depreciation for: | | | | |
| Land Improvement | (76,831.20) | (5,180.13) | | (82,011.33) |
| Buildings | (1,035,757.24) | (50,309.13) | | (1,086,066.37) |
| Building Equipment - Portable | (109,920.62) | (3,299.72) | | (113,220.34) |
| Furnishings | (67,652.27) | (1,115.43) | | (68,767.70) |
| Total Accumulated Depreciation | <u>(1,290,161.33)</u> | <u>(59,904.41)</u> | <u>0.00</u> | <u>(1,350,065.74)</u> |
| Total Capital Assets Being Depreciated, Net | <u>691,227.89</u> | <u>(42,990.54)</u> | <u>0.00</u> | <u>648,237.35</u> |
| Total Capital Assets, Net | <u><u>730,503.89</u></u> | <u><u>(42,990.54)</u></u> | <u><u>0.00</u></u> | <u><u>687,513.35</u></u> |

Depreciation expense was charged to functions as follows:

| | |
|----------------------------|---------------------|
| LIDI I | \$ 43,234.48 |
| LIDI II | \$ 16,669.93 |
| Total Depreciation Expense | <u>\$ 59,904.41</u> |

6. LONG-TERM DEBT

A summary of changes in long-term debt follows:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|-------------|------------------|-------------------|------------------------|
| Business-Type Activities: | | | | | |
| Mortgage Payable - LIDI I | 85,271.32 | | 28,445.65 | 56,825.67 | 30,218.17 |
| Mortgage Payable - LIDI II | 120,920.07 | | 14,089.57 | 106,830.50 | 15,510.98 |
| Total Business-Type Activities | <u>206,191.39</u> | <u>0.00</u> | <u>42,535.22</u> | <u>163,656.17</u> | <u>45,729.15</u> |

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
 (Continued)

Debt payable at December 31, 2015, is comprised of the following:

LIDI I

The mortgage payable to the South Dakota Housing Development Authority is due in monthly payments of \$2,735.94 at 6.06%, final maturity 2017, collateralized by the building, equipment, furnishings, and land.

LIDI II

The mortgage payable to the South Dakota Housing Development Authority is due in monthly payments of \$2,095.06 at 9.65%, final maturity 2021, collateralized by the building, equipment, furnishings, and land.

The annual requirements to amortize all debt outstanding as of December 31, 2015, including interest payments of \$ 34,629.00 are as follows:

Annual Requirements to Maturity for Long-Term Debt
 December 31 2015

| Year Ending December 31, | <u>LIDI I Mortgage</u> | | <u>LIDI II Mortgage</u> | | <u>TOTALS</u> | |
|-----------------------------|------------------------|-----------------|-------------------------|------------------|-------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | 30,218.17 | 2,613.11 | 15,510.98 | 9,629.74 | 45,729.15 | 12,242.85 |
| 2017 | 26,607.50 | 745.44 | 17,054.64 | 8,086.08 | 43,662.14 | 8,831.52 |
| 2018 | | | 18,775.19 | 6,365.53 | 18,775.19 | 6,365.53 |
| 2019 | | | 20,669.30 | 4,471.42 | 20,669.30 | 4,471.42 |
| 2020 | | | 22,781.28 | 2,359.44 | 22,781.28 | 2,359.44 |
| 2021 | | | 12,031.11 | 358.24 | 12,031.11 | 358.24 |
| TOTALS | <u>56,825.67</u> | <u>3,358.55</u> | <u>106,822.50</u> | <u>31,270.45</u> | <u>163,648.17</u> | <u>34,629.00</u> |

7. ECONOMIC DEPENDENCY

The Commission is economically dependent upon the receipt of housing assistance payments from the regulatory authority. The project received \$ 64,064.00 for housing assistance for the year ended December 31, 2015.

8. INCOME TAXES

The Commission is a governmental unit exempt from federal income taxes.

9. FIDELITY BOND

Pursuant to Section 1404 of the Management Agreement, the Agent shall furnish at his own expense, a fidelity bond (dual obligee) naming the Commission and SDHDA as obligees to protect the Commission and SDHDA against misapplication of funds of the Commission by the Agent and his employees. The terms and conditions of the Bond, and the surety thereon shall be subject to the approval of the Owner and SDHDA, and shall be in an

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(Continued)

amount not less than the total number of units maintained by the Redevelopment Commission multiplied by \$500. The bond shall be provided without a deductible amount. The LIDI I project maintains 24 units for a fidelity requirement of \$12,000.00. The LIDI II project maintains 10 units for a fidelity requirement of \$5,000.00. A combined fidelity bond of \$25,000.00 is maintained for both LIDI projects.

10. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2015 the Commission managed its risks as follows:

Employee Health Insurance:

The Commission does not purchase health insurance for its employees.

Liability Insurance:

The Commission purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation:

The Commission purchases liability insurance for workmen's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Unemployment Benefits:

The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

11. COMPONENT UNIT:

The Tyndall Housing and Redevelopment Commission is a component unit of the Municipality of Tyndall. The Commission provides low-income housing to qualified individuals. The Municipality is responsible for appointing a five-member board to oversee the operation of the Commission.

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota
SCHEDULE OF REVENUES AND EXPENSES
December 31, 2015

| | | |
|--------------------------------------------------|-------------|------------|
| <u>Rental Income:</u> | | |
| <u>Potential Rental Income:</u> | | |
| Apartments - Tenants | 106,069.00 | |
| Housing Assistance Payments | 67,064.00 | |
| Total Potential Rental Income - @ 100% Occupancy | 173,133.00 | |
| <u>Rent Adjustments/Vacancies:</u> | | |
| Heating Assistance | 9,513.00 | |
| Apartment Vacancies | (10,330.00) | |
| Total Rental Income | | 172,316.00 |
| <u>Service Income</u> | | |
| Laundry Income | 2,624.00 | |
| Rental Income | 9,620.00 | |
| Total Service Income | | 12,244.00 |
| <u>Financial Income</u> | | |
| Interest Income | 2.73 | |
| Replacement Reserves | 7,586.26 | |
| Residual Receipts | 22,581.70 | |
| Income from DCE Investment | 2,332.01 | |
| Total Financial Income | | 32,502.70 |
| TOTAL REVENUES | | 217,062.70 |
| <u>PROJECT EXPENSES:</u> | | |
| <u>Administrative Expense :</u> | | |
| Advertising & Marketing | 460.00 | |
| Office Rent | 2,722.00 | |
| Office Expenses | 2,677.00 | |
| Management Fee | 175.00 | |
| Audit Expense | 6,000.00 | |
| Manager Salary | 18,295.00 | |
| Total Administrative Expenses | | 30,329.00 |
| <u>Utility Expenses:</u> | | |
| Electricity | 26,943.00 | |
| Water & Sewer | 9,531.00 | |
| Total Utility Expenses | | 36,474.00 |

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota
SCHEDULE OF REVENUES AND EXPENSES
December 31, 2015

| | | |
|---------------------------------------------|-----------|-------------------|
| <u>Operating and Maintenance Expenses:</u> | | |
| Payroll | 8,392.00 | |
| Supplies | 1,257.00 | |
| Contracts | 8,501.00 | |
| Garbage & Trash Removal | 2,730.00 | |
| Heating/Cooling Repairs | 2,069.00 | |
| Snow Removal | 1,158.00 | |
| Vehicle & Maintenance Equipment Repair | 1,043.00 | |
| Misc. Operating & Maintenance Expense | 1,225.00 | |
| Total Operating and Maintenance Expenses | | 26,375.00 |
| <u>Depreciation:</u> | | |
| Improvements | 5,180.13 | |
| Buildings | 50,309.13 | |
| Building Equipment - Portable | 3,299.72 | |
| Furnishings | 1,115.43 | |
| Total Depreciation | | 59,904.41 |
| <u>Taxes and Insurance:</u> | | |
| Property Taxes | 6,892.64 | |
| Payroll Taxes | 4,190.00 | |
| Property and Liability Insurance | 14,938.00 | |
| Workmens Compensation | 1,678.00 | |
| Misc Taxes | 96.00 | |
| Fidelity Bond | 153.00 | |
| Total Taxes and Insurance | | 27,947.64 |
| <u>Other Expenses:</u> | | |
| HAP credit offset | | 21,864.00 |
| <u>Financial Expenses:</u> | | |
| Interest on Mortgage Payable | | 15,185.47 |
| <u>Corporate or Mortgagor Expenses:</u> | | |
| Administrative Fee | | 2,262.00 |
| TOTAL EXPENSES | | 220,341.52 |
| EXCESS REVENUE OVER (UNDER) EXPENSES | | (3,278.82) |

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota
SCHEDULE OF CASH OPERATING RECEIPTS AND DISBURSEMENTS
December 31, 2015

SOURCE OF FUNDS:Operations:Receipts:

| | | |
|-----------------------------|------------|------------|
| Rental Income - Tenants | 95,739.00 | |
| DSS Heating Assistance | 9,513.00 | |
| Rental Income - HAP Subsidy | 67,064.00 | |
| Service Income | 12,244.00 | |
| Financial Income | 32,494.26 | |
| Total Receipts | 217,054.26 | 217,054.26 |

Disbursements:

| | | |
|---------------------------|------------|------------|
| Administrative | 30,329.00 | |
| Utilities | 36,474.00 | |
| Operating and Maintenance | 26,375.00 | |
| Taxes and Insurance | 27,947.64 | |
| Capital Expenditures | 16,913.87 | |
| Interest on Building Loan | 15,442.42 | |
| Administrative Fee | 2,262.00 | |
| HAP Credit Offset | 21,864.00 | |
| Total Disbursements | 177,607.93 | 177,607.93 |

| | | |
|---------------------------------------------------------------|-------------|--|
| <u>Cash Provided (Used) by Operations Before Debt Service</u> | 39,446.33 | |
| Amortization of Mortgage | (42,535.22) | |
| <u>Cash Provided (Used) by Operations After Debt Service</u> | (3,088.89) | |

Other Funds:

| | | |
|-----------------------------------------------|--------|--------|
| Increase (Decrease) in Prepaid Expenses | 9.50 | |
| Increase (Decrease) in Accrued Property Taxes | 211.20 | |
| Security Deposit Allocated Interest | 1.75 | |
| | 222.45 | 222.45 |

| | |
|-----------------------|------------|
| TOTAL SOURCE OF FUNDS | (2,866.44) |
|-----------------------|------------|

APPLICATION OF FUNDS:

| | | |
|---------------------------------------|------------|----------|
| Decrease in Tax Escrow | (7,351.13) | |
| Increase in Insurance Escrow | 3,604.00 | |
| Reserve for Replacements - Funded | 4,284.86 | |
| Reserve for Painting - Funded | 1,824.00 | |
| (Increase) in Development Cost Escrow | 2,332.01 | |
| Decrease in Residual Receipts Reserve | (1,675.15) | |
| TOTAL APPLICATION OF FUNDS | 3,018.59 | 3,018.59 |

| | |
|-------------------------|------------|
| <u>Increase in Cash</u> | (5,885.03) |
|-------------------------|------------|

| | |
|-----------------------------------------------|----------|
| <u>UNRESTRICTED CASH AT BEGINNING OF YEAR</u> | 7,604.50 |
|-----------------------------------------------|----------|

| | |
|-----------------------------------------|----------|
| <u>UNRESTRICTED CASH AT END OF YEAR</u> | 1,719.47 |
|-----------------------------------------|----------|

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota

COMPUTATION OF SURPLUS CASH AND RESIDUAL RECEIPTS
For the Year Ended December 31, 2015

| | <u>LIDI I</u> | <u>LIDI II</u> | <u>TOTAL</u> |
|--------------------------------------------------|-----------------|-----------------|------------------|
| <u>Cash and Receivables:</u> | | | |
| Cash in Bank - Operating | 1,140.42 | 579.05 | 1,719.47 |
| Cash - Resident Security Deposits | 5,927.95 | 2,492.99 | 8,420.94 |
| Accounts Receivable | 0.00 | 50.50 | 50.50 |
| Total Cash and Receivables | <u>7,068.37</u> | <u>3,122.54</u> | <u>10,190.91</u> |
| <u>Current Obligations:</u> | | | |
| Mortgage Interest Payable | 286.97 | 859.10 | 1,146.07 |
| Accounts Payable | 50.50 | 0.00 | 50.50 |
| Tenant Security Deposits | 5,819.00 | 930.28 | 6,749.28 |
| Total Current Obligations | <u>6,156.47</u> | <u>1,789.38</u> | <u>7,945.85</u> |
| <u>SURPLUS CASH (DEFICIENCY)</u> | <u>911.90</u> | <u>1,333.16</u> | <u>2,245.06</u> |
| <u>REQUIRED DEPOSIT TO RESIDUAL RECEIPT FUND</u> | <u>911.90</u> | <u>1,333.16</u> | <u>2,245.06</u> |

SCHEDULE OF BANK ACCOUNTS
December 31, 2015

| <u>Type of Account</u> | <u>Bank</u> | <u>Account Name</u> | <u>Account Number</u> | <u>Balance</u> |
|------------------------------------|------------------------------------------|-----------------------------------------------------------|-----------------------|------------------|
| <u>Operating Account:</u> | | | | |
| Checking | Security State Bank Tyndall, SD 57066 | Tyndall Housing Redevelopment Commission LIDI I | 392-332 | 1,140.42 |
| Checking | Security State Bank Tyndall, SD 57066 | Tyndall Housing Redevelopment Commission LIDI II | 392-448 | 579.05 |
| <u>Security Deposit Account:</u> | | | | |
| Savings | Security State Bank Tyndall, SD 57066 | Tyndall Housing Redevelopment Commission LIDI I | 640-115 | 5,927.95 |
| Savings | Security State Bank Tyndall, SD 57066 | Tyndall Housing Redevelopment Commission LIDI II | 640-190 | 2,492.99 |
| <u>TOTAL CASH IN BANK ACCOUNTS</u> | | | | <u>10,140.41</u> |

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota
TENANTS SECURITY DEPOSITS
For The Year Ended December 31, 2015

| | <u>LIDI I</u> | <u>LIDI II</u> | <u>TOTAL</u> |
|------------------------------------------------|---------------------|---------------------|---------------------|
| <u>SECURITY DEPOSITS HELD IN TRUST:</u> | | | |
| <u>Beginning Balance</u> | 5,935.24 | 2,750.26 | 8,685.50 |
| <u>Deposits:</u> | | | |
| Tenant Security Deposits | 827.00 | 0.00 | 827.00 |
| Interest Earned | 5.71 | 2.73 | 8.44 |
| Total Deposits | <u>832.71</u> | <u>2.73</u> | <u>835.44</u> |
| <u>Disbursements:</u> | | | |
| Security Deposit Returned | (840.00) | (260.00) | (1,100.00) |
| Total Disbursements | <u>(840.00)</u> | <u>(260.00)</u> | <u>(1,100.00)</u> |
| <u>ENDING BALANCE</u> | <u>5,927.95</u> | <u>2,492.99</u> | <u>8,420.94</u> |
| <u>SECURITY DEPOSIT LIABILITY:</u> | | | |
| Beginning Balance | 5,832.00 | 1,188.53 | 7,020.53 |
| Interest Earned, Allocated to Residents | 0.00 | 1.75 | 1.75 |
| Security Deposits Received | 827.00 | 0.00 | 827.00 |
| Security Deposits Refunded | <u>(840.00)</u> | <u>(260.00)</u> | <u>(1,100.00)</u> |
| <u>ENDING BALANCE</u> | <u>5,819.00</u> | <u>930.28</u> | <u>6,749.28</u> |

**TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota**

**SCHEDULE OF ACCOUNTS RECEIVABLE/PAYABLE
December 31, 2015**

LIDI I

ACCOUNTS PAYABLE:

Due to LIDI II for Payroll Taxes

50.50

LIDI II

ACCOUNTS RECEIVABLE:

Due from LIDI I for Payroll Taxes

50.50

**TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota**

**ACCOUNTANT'S LICENSE TO ENGAGE
IN PRACTICE OF PUBLIC ACCOUNTANCY**

| | |
|----------------------------------------------------|---------------------|
| Supervising Accountant | Randy R. Schoenfish |
| South Dakota CPA Certificate | 1004 |
| South Dakota Permit to Practice Public Accountancy | 422 |

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

**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**

Board of Directors
Tyndall Housing and Redevelopment
Commission
P.O. Box 262
Tyndall, South Dakota 57066

We have audited, 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, the financial statements of the business-type activities of the Tyndall Housing and Redevelopment Commission, a component unit of the Municipality of Tyndall, South Dakota, as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise Tyndall Housing and Redevelopment Commission's basic financial statements and have issued our report thereon dated May 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tyndall Housing and Redevelopment Commission's internal control over financial reporting (internal control) to determine the 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 Tyndall Housing and Redevelopment Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Tyndall Housing and Redevelopment Commission's internal control.

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Tyndall Housing and Redevelopment Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Current Audit Findings as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tyndall Housing and Redevelopment Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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

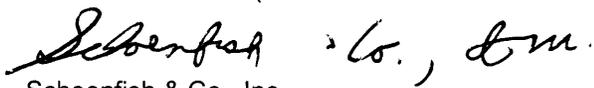
noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tyndall Housing and Redevelopment Commission's Response to Findings

Tyndall Housing and Redevelopment Commission's response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. Tyndall Housing and Redevelopment Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Tyndall Housing and Redevelopment Commission'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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.
Certified Public Accountants
May 12, 2016

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

CERTIFIED PUBLIC ACCOUNTANTS
Phone: 605-928-7241
FAX No.: 605-928-1441
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
CONTRACTUAL AGREEMENTS

Board of Directors
Tyndall Housing and Redevelopment
Commission
P.O. Box 262
Tyndall, South Dakota 57066

We have audited the accompanying statement of net Position of Tyndall Housing and Redevelopment Commission, a component unit of the Municipality of Tyndall, as of December 31, 2015, and the related statement of revenues and expenses and changes in net assets and statement of cash flows for the year then ended, and have issued our report thereon dated May 12, 2016. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 and requirements promulgated by the South Dakota Housing Development Authority. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In connection with our audit, nothing came to our attention that caused us to believe that Tyndall Housing and Redevelopment Commission was not in compliance with any of the terms, covenants, provisions or conditions or any contractual agreements it is a party to. However, it should be noted that our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Tyndall Housing and Redevelopment Commission and the South Dakota Housing Development Authority in connection with the Projects to which it refers and should not be used for any other purpose.



Schoenfish & Co., Inc.
Certified Public Accountants
May 12, 2016

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
Tyndall, South Dakota

SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2015

PRIOR AUDIT FINDINGS:

Internal Control Over Revenues:

Finding No. 2014-001

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenue functions. Also, security deposits were incorrectly recorded in revenue in the prior year. This comment has not been corrected and is restated as current audit finding number 2015-001.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

TYNDALL HOUSING AND REDEVELOPMENT COMMISSION
 A COMPONENT UNIT OF THE MUNICIPALITY OF TYNDALL
 Tyndall, South Dakota

SCHEDULE OF CURRENT AUDIT FINDINGS
 December 31, 2015

CURRENT AUDIT FINDINGS:

Internal Control Over Revenues:

Finding No. 2015-001

A material weakness in internal controls was noted due to a lack of proper segregation of duties for the revenue functions. This is the fourteenth consecutive audit in which similar deficiencies have occurred.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets. Also, it results in increased reliability that information is properly recorded.

Condition:

The Executive Director processes all revenue transactions from beginning to end. The Executive Director also receives money, issues receipts, records receipts, posts receipts in the accounting records, prepares bank deposits, reconciles bank statements, and prepares financial statements.

Effect:

As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

1. We recommend that the Tyndall Housing & Redevelopment Commission be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:

The Commission Board President, Dave Sutera, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Commission, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to provide compensating controls.

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

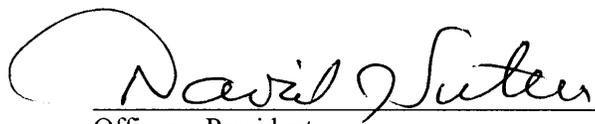
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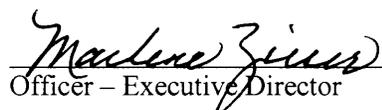
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Tyndall, South Dakota

MORTGAGORS' CERTIFICATION

We hereby certify that we have examined the foregoing financial statements of the Tyndall Housing and Redevelopment Commission, and to the best of our knowledge and belief, the same is a true statement of the financial condition as of December 31, 2015.



Officer – President



Officer – Executive Director

Schoenfish & Co., Inc.

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