

**MUNICIPALITY OF TYNDALL
TYNDALL, SOUTH DAKOTA**

AUDIT REPORT

**FOR THE YEAR JANUARY 1, 2011 TO DECEMBER 31, 2011
AND
FOR THE YEAR JANUARY 1, 2012 TO DECEMBER 31, 2012**

Schoenfish & Co., Inc.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF TYNDALL

MUNICIPAL OFFICIALS
DECEMBER 31, 2012

MAYOR:

Dave Vavruska

GOVERNING BOARD:

Mark Stuebner, President
Kevin Ranek, Vice-President
Denise Campbell
Bonnie Davis
Ross Hudson
Jane Larson

FINANCE OFFICER:

Linda F. Pesek

ATTORNEY:

Lisa Rothschild

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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

Governing Board
Municipality of Tyndall
Tyndall, South Dakota

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 governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund, of the Municipality of Tyndall, South Dakota (Municipality), as of December 31, 2012 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated May 24, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as item 2012-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and

material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Audit Findings as item 2012-02.

Municipality's Response to Findings

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality'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 24, 2013

Schoenfish & Co., Inc.

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P.O. Box 247

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SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Internal Control Over Revenues

Finding Number 2010-01:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2012-01.

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SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT AUDIT FINDINGS:

Internal Control – Related Findings – Material Weakness:

Finding Number 2012-01:

A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenues. This is the seventh consecutive audit in which a similar deficiency has occurred.

Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:

The Finance Officer and Office Assistant process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare 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 Municipality of Tyndall officials 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 Municipality of Tyndall Mayor, Dave Vavruska, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Tyndall, 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.

Compliance – Related Findings:

Finding Number 2012-02:

The Municipality of Tyndall purchased playground equipment without advertising for competitive bids as required by SDCL 5-18A-14. This is the first audit in which a similar deficiency has occurred.

Criteria:

SDCL 5-18A-14 states in part, "a contract for the purchase of supplies or services, other than professional services, that involves the expenditure of twenty-five thousand dollars or more, the purchasing agency shall advertise for bids or proposals."

Condition:

We examined several instances which required bidding and found that the above mentioned instance was improper. The Municipality entered into a contract with My Turn Playsystems for \$74,265.00 without evidence of receiving competitive bids.

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SCHEDULE OF CURRENT AUDIT FINDINGS
(Continued)

Effect:

The lack of bidding in this instance may have caused the entity to pay more for the equipment than it would have had competitive bids been obtained.

Recommendation:

2. We recommend that all expenditures for equipment over \$25,000 be bid as required by law.

Management's Response:

The Municipality of Tyndall Mayor, Dave Vavruska, is the contact person responsible for the corrective action plan for this comment. We will monitor all anticipated expenditures which may exceed the bid limit. We will advertise for bids if it is probable that the expenditure may exceed the bid limit.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the mayor and the finance officer on June 4, 2013.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Tyndall
Tyndall, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund, of the Municipality of Tyndall, South Dakota, (Municipality) as of December 31, 2012 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Municipality's management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting standards 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 the Municipality'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 the Municipality'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate

discretely presented component units, and each major fund, of the Municipality of Tyndall as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

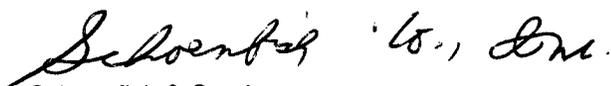
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, on pages 42 through 45, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Municipality has omitted the Management's Discussion and Analysis (MD&A) that the 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 Standard 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 contest. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013 on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements 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 the Municipality's internal control over financial reporting and compliance.



Schoenfish & Co., Inc.
 Certified Public Accountants
 May 24, 2013

Schoenfish & Co., Inc.

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 P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF TYNDALL
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	251,537.48	1,052,563.74	1,304,101.22	22,730.78
Investments		300,000.00	300,000.00	
Accounts Receivable, Net	50,470.85	140,892.72	191,363.57	44.25
Inventories		135,576.93	135,576.93	
Other Assets			0.00	87.40
Restricted Assets:				
Cash and Cash Equivalents			0.00	1,170,555.85
Capital Assets:				
Land and Construction Work in Progress	25,201.75	129,703.00	154,904.75	39,276.00
Other Capital Assets, Net of Depreciation	1,983,055.70	3,737,308.64	5,720,364.34	783,281.40
TOTAL ASSETS	2,310,265.78	5,496,045.03	7,806,310.81	2,015,975.68
LIABILITIES :				
Accounts Payable			0.00	8,596.12
Other Current Liabilities		14,375.00	14,375.00	6,400.95
Noncurrent Liabilities:				
Due Within One Year	7,112.81	55,556.72	62,669.53	36,832.03
Due in More than One Year	47,816.52	1,335,994.53	1,383,811.05	245,766.91
TOTAL LIABILITIES	54,929.33	1,405,926.25	1,460,855.58	297,596.01
NET POSITION:				
Net Investment in Capital Assets	1,953,328.12	2,475,460.39	4,428,788.51	539,958.46
Restricted for:				
Other Purposes			0.00	1,170,555.85
Unrestricted	302,008.33	1,614,658.39	1,916,666.72	7,865.36
TOTAL NET POSITION	2,255,336.45	4,090,118.78	6,345,455.23	1,718,379.67
TOTAL LIABILITIES AND NET POSITION	2,310,265.78	5,496,045.03	7,806,310.81	2,015,975.68

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

MUNICIPALITY OF TYNDALL
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	93,543.69	10,520.00	17,752.52		(65,271.17)		(65,271.17)	
Public Safety	165,017.96	16.25			(165,001.71)		(165,001.71)	
Public Works	261,836.23	5,741.25	43,951.25	7,436.00	(204,707.73)		(204,707.73)	
Health and Welfare	68,906.73	91,538.08			22,631.35		22,631.35	
Culture and Recreation	131,455.21	6,384.46			(125,070.75)		(125,070.75)	
Conservation and Development	5,287.50				(5,287.50)		(5,287.50)	
*Interest on Long-term Debt	3,818.50				(3,818.50)		(3,818.50)	
Total Governmental Activities	729,865.82	114,200.04	61,703.77	7,436.00	(546,526.01)		(546,526.01)	
Business-type Activities:								
Water	224,948.90	256,683.73				31,734.83	31,734.83	
Sewer	149,054.71	157,910.64				8,855.93	8,855.93	
Light Plant	1,100,439.43	1,029,399.07				(71,040.36)	(71,040.36)	
Total Business-type Activities	1,474,443.04	1,443,993.44	0.00	0.00		(30,449.60)	(30,449.60)	
Total Primary Government	2,204,308.86	1,558,193.48	61,703.77	7,436.00	(546,526.01)	(30,449.60)	(576,975.61)	
Component Units:								
Housing and Redevelopment Commission	187,316.20	169,866.25						(17,449.95)
General Revenues:								
Taxes:								
Property Taxes					270,159.43		270,159.43	
Sales Taxes					257,194.20		257,194.20	
State Shared Revenues					11,095.99		11,095.99	
Unrestricted Investment Earnings					283.87	2,936.28	3,220.15	30,162.18
Miscellaneous Revenue					8,066.20		8,066.20	
Total General Revenues					546,799.69	2,936.28	549,735.97	30,162.18
Change in Net Position					273.68	(27,513.32)	(27,239.64)	12,712.23
Net Position - Beginning					2,255,062.77	4,117,632.10	6,372,694.87	1,705,667.44
NET POSITION - ENDING					2,255,336.45	4,090,118.78	6,345,455.23	1,718,379.67

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**MUNICIPALITY OF TYNDALL
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012**

	General Fund
ASSETS:	
Cash and Cash Equivalents	251,537.48
Taxes Receivable--Delinquent	13,843.82
Accounts Receivable, Net	28,891.03
Special Assessments Receivable--Current	663.60
Special Assessments Receivable--Delinquent	1,100.00
Special Assessments Receivable--Deferred	5,972.40
TOTAL ASSETS	302,008.33
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Deferred Revenue	50,470.85
Total Liabilities	50,470.85
Fund Balances:	
Committed for Day Care Center	2,827.51
Assigned for Next Year's Budget	124,757.00
Unassigned	123,952.97
Total Fund Balances	251,537.48
TOTAL LIABILITIES AND FUND BALANCES	302,008.33

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

MUNICIPALITY OF TYNDALL
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2012

Total Fund Balances - Governmental Funds	<u>251,537.48</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>2,008,257.45</u>
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(54,929.33)</u>
Assets such as taxes receivable (delinquent), special assessments receivable (current, delinquent, and deferred), and other receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>50,470.85</u>
Net Position - Governmental Activities	<u><u>2,255,336.45</u></u>

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

MUNICIPALITY OF TYNDALL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund
Revenues:	
Taxes:	
General Property Taxes	266,621.69
General Sales and Use Taxes	257,194.20
Amusement Taxes	120.00
Tax Deed Revenue	1,180.20
Penalties and Interest on Delinquent Taxes	1,041.38
Licenses and Permits	5,274.00
Intergovernmental Revenue:	
Federal Grants	11,752.52
State Grants	6,000.00
State Shared Revenue:	
Bank Franchise Tax	506.49
Motor Vehicle Commercial Prorate	2,935.81
Liquor Tax Reversion	8,245.92
Motor Vehicle Licenses	11,277.93
Local Government Highway and Bridge Fund	26,888.50
State Payments in Lieu of Taxes	2,343.58
County Shared Revenue:	
County Road Tax	2,849.01
Charges for Goods and Services:	
Highways and Streets	5,741.25
Culture and Recreation	6,384.46
Ambulance	86,880.68
Fines and Forfeits:	
Court Fines and Costs	16.25
Miscellaneous Revenue:	
Investment Earnings	283.87
Rentals	5,246.00
Special Assessments	900.00
Liquor Operating Agreement Income	8,066.20
Total Revenue	717,749.94

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

MUNICIPALITY OF TYNDALL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	General Fund
Expenditures:	
General Government:	
Legislative	26,937.73
Elections	27.53
Financial Administration	31,548.81
Other	28,218.62
Total General Government	86,732.69
Public Safety:	
Police	112,897.51
Fire	25,976.45
Total Public Safety	138,873.96
Public Works:	
Highways and Streets	224,462.23
Total Public Works	224,462.23
Health and Welfare:	
Health	449.88
Humane Society	150.00
Ambulance	54,504.85
Total Health and Welfare	55,104.73
Culture and Recreation:	
Recreation	35,263.47
Parks	48,392.98
Libraries	26,669.76
Total Culture and Recreation	110,326.21
Conservation and Development:	
Economic Opportunity	1,880.50
Total Conservation and Development	1,880.50
Debt Service	9,395.00
Capital Outlay	141,761.00
Total Expenditures	768,536.32
Net Change in Fund Balances	(50,786.38)
Fund Balance - Beginning	302,323.86
FUND BALANCE - ENDING	251,537.48

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

MUNICIPALITY OF TYNDALL
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2012

Net Change in Fund Balances - Total Governmental Funds	<u>(50,786.38)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>33,094.00</u>
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>5,576.50</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>1,196.16</u>
Governmental funds report special assessments as revenue when cash is received, but the statement of activities includes special assessments as revenue when the lien attaches to the benefited property.	<u>6,536.00</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>4,657.40</u>
Change in Net Position of Governmental Activities	<u><u>273.68</u></u>

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

MUNICIPALITY OF TYNDALL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Light Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	118,029.53	425,144.36	509,389.85	1,052,563.74
Investments			300,000.00	300,000.00
Accounts Receivable, Net	20,189.99	15,092.49	105,610.24	140,892.72
Inventory of Supplies	31,747.34	19,644.81	84,184.78	135,576.93
Total Current Assets	<u>169,966.86</u>	<u>459,881.66</u>	<u>999,184.87</u>	<u>1,629,033.39</u>
Noncurrent Assets:				
Capital Assets:				
Land	1,500.00	54,350.00	825.00	56,675.00
Buildings	6,000.00		129,000.00	135,000.00
Improvements Other Than Buildings	2,514,343.93	3,320,915.21	593,860.00	6,429,119.14
Machinery and Equipment	14,440.00	30,450.00	162,828.50	207,718.50
Construction Work in Progress			73,028.00	73,028.00
Less: Accumulated Depreciation	(845,901.60)	(1,490,534.10)	(698,093.30)	(3,034,529.00)
Total Noncurrent Assets	<u>1,690,382.33</u>	<u>1,915,181.11</u>	<u>261,448.20</u>	<u>3,867,011.64</u>
TOTAL ASSETS	<u><u>1,860,349.19</u></u>	<u><u>2,375,062.77</u></u>	<u><u>1,260,633.07</u></u>	<u><u>5,496,045.03</u></u>
LIABILITIES:				
Current Liabilities:				
Customer Deposits			14,375.00	14,375.00
Bonds Payable Current:				
Revenue	23,125.17	32,431.55		55,556.72
Total Current Liabilities	<u>23,125.17</u>	<u>32,431.55</u>	<u>14,375.00</u>	<u>69,931.72</u>
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	686,109.46	649,885.07		1,335,994.53
Total Noncurrent Liabilities	<u>686,109.46</u>	<u>649,885.07</u>	<u>0.00</u>	<u>1,335,994.53</u>
NET POSITION:				
Net Investment in Capital Assets	981,147.70	1,232,864.49	261,448.20	2,475,460.39
Unrestricted	169,966.86	459,881.66	984,809.87	1,614,658.39
Total Net Position	<u>1,151,114.56</u>	<u>1,692,746.15</u>	<u>1,246,258.07</u>	<u>4,090,118.78</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>1,860,349.19</u></u>	<u><u>2,375,062.77</u></u>	<u><u>1,260,633.07</u></u>	<u><u>5,496,045.03</u></u>

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

MUNICIPALITY OF TYNDALL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Light Fund	
Operating Revenue:				
Charges for Goods and Services		94,280.64	1,029,399.07	1,123,679.71
Revenue Dedicated to Servicing Debt	256,683.73	63,630.00		320,313.73
Total Operating Revenue	256,683.73	157,910.64	1,029,399.07	1,443,993.44
Operating Expenses:				
Personal Services			107,615.01	107,615.01
Other Current Expense	149,855.42	33,558.05	59,882.07	243,295.54
Materials (Cost of Goods Sold)			883,849.35	883,849.35
Depreciation	54,414.20	92,681.00	18,714.00	165,809.20
Total Operating Expenses	204,269.62	126,239.05	1,070,060.43	1,400,569.10
Operating Income (Loss)	52,414.11	31,671.59	(40,661.36)	43,424.34
Nonoperating Revenue (Expense):				
Investment Earnings	106.44	426.71	2,403.13	2,936.28
Interest Expense and Fiscal Charges	(20,679.28)	(22,815.66)		(43,494.94)
Gain (Loss) on Disposition of Assets			(30,379.00)	(30,379.00)
Total Nonoperating Revenue (Expense)	(20,572.84)	(22,388.95)	(27,975.87)	(70,937.66)
Change in Net Position	31,841.27	9,282.64	(68,637.23)	(27,513.32)
Net Position - Beginning	1,119,273.29	1,683,463.51	1,314,895.30	4,117,632.10
NET POSITION - ENDING	1,151,114.56	1,692,746.15	1,246,258.07	4,090,118.78

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

MUNICIPALITY OF TYNDALL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Light Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	255,610.19	157,270.30	1,030,192.77	1,443,073.26
Cash Payments to Employees for Services			(107,615.01)	(107,615.01)
Cash Payments to Suppliers of Goods and Services	(131,607.38)	(34,979.69)	(936,144.52)	(1,102,731.59)
Net Cash Provided (Used) by Operating Activities	<u>124,002.81</u>	<u>122,290.61</u>	<u>(13,566.76)</u>	<u>232,726.66</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets	(22,701.00)	(9,338.00)	(104,637.50)	(136,676.50)
Principal Paid on Capital Debt	(71,021.32)	(31,398.58)		(102,419.90)
Interest Paid on Capital Debt	(20,679.28)	(22,815.66)		(43,494.94)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(114,401.60)</u>	<u>(63,552.24)</u>	<u>(104,637.50)</u>	<u>(282,591.34)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earnings	106.44	426.71	2,403.13	2,936.28
Net Cash Provided (Used) by Investing Activities	<u>106.44</u>	<u>426.71</u>	<u>2,403.13</u>	<u>2,936.28</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>9,707.65</u>	<u>59,165.08</u>	<u>(115,801.13)</u>	<u>(46,928.40)</u>
Balances - Beginning	108,321.88	365,979.28	625,190.98	1,099,492.14
Balances - Ending	<u>118,029.53</u>	<u>425,144.36</u>	<u>509,389.85</u>	<u>1,052,563.74</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	52,414.11	31,671.59	(40,661.36)	43,424.34
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	54,414.20	92,681.00	18,714.00	165,809.20
Change in Assets and Liabilities:				
Receivables	(1,073.54)	(640.34)	(266.30)	(1,980.18)
Inventories	18,248.04	(1,421.64)	7,586.90	24,413.30
Customer Deposits			1,060.00	1,060.00
Net Cash Provided (Used) by Operating Activities	<u>124,002.81</u>	<u>122,290.61</u>	<u>(13,566.76)</u>	<u>232,726.66</u>

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

MUNICIPALITY OF TYNDALL
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	302,323.86	1,082,394.47	1,384,718.33	15,448.17
Investments		300,000.00	300,000.00	
Accounts Receivable, Net	38,081.29	138,912.54	176,993.83	37.60
Inventories		159,990.23	159,990.23	
Other Assets			0.00	78.36
Restricted Assets:				
Cash and Cash Equivalents		17,097.67	17,097.67	1,177,510.53
Capital Assets:				
Land and Construction in Progress	38,701.75	56,675.00	95,376.75	39,276.00
Other Capital Assets, Net of Depreciation	1,936,461.70	3,869,848.34	5,806,310.04	805,978.96
TOTAL ASSETS	2,315,568.60	5,624,918.25	7,940,486.85	2,038,329.62
LIABILITIES :				
Accounts Payable			0.00	8,831.56
Other Current Liabilities		13,315.00	13,315.00	6,943.53
Noncurrent Liabilities:				
Due Within One Year	6,822.84	76,419.93	83,242.77	34,288.15
Due in More than One Year	53,682.99	1,417,551.22	1,471,234.21	282,598.94
TOTAL LIABILITIES	60,505.83	1,507,286.15	1,567,791.98	332,662.18
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	1,914,657.62	2,432,552.19	4,347,209.81	528,367.87
Restricted for:				
Debt Service		17,097.67	17,097.67	
Other Purposes			0.00	1,177,510.53
Unrestricted (Deficit)	340,405.15	1,667,982.24	2,008,387.39	(210.96)
TOTAL NET ASSETS	2,255,062.77	4,117,632.10	6,372,694.87	1,705,667.44
TOTAL LIABILITIES AND NET ASSETS	2,315,568.60	5,624,918.25	7,940,486.85	2,038,329.62

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

**MUNICIPALITY OF TYNDALL
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	91,672.77	9,666.75			(82,006.02)		(82,006.02)	
Public Safety	168,523.52	107.50			(168,416.02)		(168,416.02)	
Public Works	275,065.77	843.00	36,477.67	300.00	(237,445.10)		(237,445.10)	
Health and Welfare	62,419.57	84,474.54		26,029.50	48,084.47		48,084.47	
Culture and Recreation	142,840.10	19,518.75		30,000.00	(93,321.35)		(93,321.35)	
Conservation and Development	7,652.58		11,170.00		3,517.42		3,517.42	
*Interest on Long-term Debt	2,834.70				(2,834.70)		(2,834.70)	
Total Governmental Activities	751,009.01	114,610.54	47,647.67	56,329.50	(532,421.30)		(532,421.30)	
Business-type Activities:								
Water	194,721.20	232,729.89				38,008.69	38,008.69	
Sewer	135,347.81	158,771.96				23,424.15	23,424.15	
Light Plant	1,073,991.03	1,088,799.47				14,808.44	14,808.44	
Total Business-type Activities	1,404,060.04	1,480,301.32	0.00	0.00		76,241.28	76,241.28	
Total Primary Government	2,155,069.05	1,594,911.86	47,647.67	56,329.50	(532,421.30)	76,241.28	(456,180.02)	
Component Units:								
Housing and Redevelopment Commission	184,722.57	172,376.47						(12,346.10)
General Revenues:								
Taxes:								
Property Taxes					256,528.69		256,528.69	
Sales Taxes					271,463.95		271,463.95	
State Shared Revenues					10,120.15		10,120.15	
Unrestricted Investment Earnings					405.86	4,466.24	4,872.10	31,366.13
Miscellaneous Revenue					29,804.44		29,804.44	
Total General Revenues					568,323.09	4,466.24	572,789.33	31,366.13
Change in Net Assets					35,901.79	80,707.52	116,609.31	19,020.03
Net Assets - Beginning					2,219,160.98	4,036,924.58	6,256,085.56	1,686,647.41
NET ASSETS - ENDING					2,255,062.77	4,117,632.10	6,372,694.87	1,705,667.44

* The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**MUNICIPALITY OF TYNDALL
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011**

	General Fund
ASSETS:	
Cash and Cash Equivalents	302,323.86
Taxes Receivable--Delinquent	12,647.66
Accounts Receivable, Net	24,233.63
Special Assessments Receivable--Current	500.00
Special Assessments Receivable--Delinquent	700.00
TOTAL ASSETS	340,405.15
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Deferred Revenue	38,081.29
Total Liabilities	38,081.29
Fund Balances:	
Committed for Day Care	1,885.11
Unassigned	300,438.75
Total Fund Balances	302,323.86
TOTAL LIABILITIES AND FUND BALANCES	340,405.15

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

MUNICIPALITY OF TYNDALL
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2011

Total Fund Balances - Governmental Funds	<u>302,323.86</u>
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 therefore are not reported in the funds.	<u>1,975,163.45</u>
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(60,505.83)</u>
Assets such as taxes receivable (delinquent), special assessments (current and delinquent), and other receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>38,081.29</u>
Net Assets - Governmental Activities	<u><u>2,255,062.77</u></u>

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

MUNICIPALITY OF TYNDALL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General Fund
Revenues:	
Taxes:	
General Property Taxes	252,622.55
General Sales and Use Taxes	271,463.95
Amusement Taxes	204.00
Tax Deed Revenue	1,748.46
Penalties and Interest on Delinquent Taxes	960.39
Licenses and Permits	5,020.75
Intergovernmental Revenue:	
Federal Grants	41,170.00
State Grants	26,029.50
State Shared Revenue:	
Bank Franchise Tax	208.99
Motor Vehicle Commercial Prorate	3,145.28
Liquor Tax Reversion	7,749.07
Motor Vehicle Licenses	9,330.02
Local Government Highway and Bridge Fund	21,153.36
County Shared Revenue:	
County Road Tax	2,849.01
Other Intergovernmental Revenues	2,162.09
Charges for Goods and Services:	
Highways and Streets	843.00
Culture and Recreation	19,518.75
Ambulance	79,374.07
Fines and Forfeits:	
Court Fines and Costs	107.50
Miscellaneous Revenue:	
Investment Earnings	405.86
Rentals	4,646.00
Other	29,804.44
Total Revenue	780,517.04
Expenditures:	
General Government:	
Legislative	29,740.85
Elections	19.34
Financial Administration	30,198.32
Other	25,671.26
Total General Government	85,629.77

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

MUNICIPALITY OF TYNDALL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General Fund
Expenditures (Continued):	
Public Safety:	
Police	111,861.22
Fire	26,840.30
Total Public Safety	138,701.52
Public Works:	
Highways and Streets	232,299.77
Total Public Works	232,299.77
Health and Welfare:	
Health	2,544.29
Humane Society	63.97
Ambulance	47,667.31
Total Health and Welfare	50,275.57
Culture and Recreation:	
Recreation	36,093.01
Parks	57,529.36
Libraries	29,746.73
Total Culture and Recreation	123,369.10
Conservation and Development:	
Economic Opportunity	4,245.58
Total Conservation and Development	4,245.58
Debt Service	9,395.00
Capital Outlay	152,486.00
Total Expenditures	796,402.31
Net Change in Fund Balances	(15,885.27)
Fund Balance - Beginning	318,209.13
FUND BALANCE - ENDING	302,323.86

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

MUNICIPALITY OF TYNDALL
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2011

Net Change in Fund Balances - Total Governmental Funds	<u>(15,885.27)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	<u>38,833.00</u>
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>6,560.30</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>993.29</u>
Governmental funds report special assessments as revenue when cash is received, but the statement of activities includes special assessments as revenue when the lien attaches to the benefited property.	<u>300.00</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>5,100.47</u>
Change in Net Assets of Governmental Activities	<u><u>35,901.79</u></u>

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

**MUNICIPALITY OF TYNDALL
BALANCE SHEET
PROPRIETARY FUNDS
December 31, 2011**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Light Fund	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	91,224.21	365,979.28	625,190.98	1,082,394.47
Investments			300,000.00	300,000.00
Accounts Receivable, Net	19,116.45	14,452.15	105,343.94	138,912.54
Inventory of Supplies	49,995.38	18,223.17	91,771.68	159,990.23
Total Current Assets	<u>160,336.04</u>	<u>398,654.60</u>	<u>1,122,306.60</u>	<u>1,681,297.24</u>
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	17,097.67			17,097.67
Capital Assets:				
Land	1,500.00	54,350.00	825.00	56,675.00
Buildings	6,000.00		129,000.00	135,000.00
Improvements Other Than Buildings	2,491,642.93	3,311,577.21	763,141.00	6,566,361.14
Machinery and Equipment	14,440.00	30,450.00	144,369.00	189,259.00
Less: Accumulated Depreciation	(791,487.40)	(1,397,853.10)	(831,431.30)	(3,020,771.80)
Total Noncurrent Assets	<u>1,739,193.20</u>	<u>1,998,524.11</u>	<u>205,903.70</u>	<u>3,943,621.01</u>
TOTAL ASSETS	<u><u>1,899,529.24</u></u>	<u><u>2,397,178.71</u></u>	<u><u>1,328,210.30</u></u>	<u><u>5,624,918.25</u></u>
LIABILITIES:				
Current Liabilities:				
Customer Deposits			13,315.00	13,315.00
Bonds Payable Current:				
Revenue	45,021.35	31,398.58		76,419.93
Total Current Liabilities	<u>45,021.35</u>	<u>31,398.58</u>	<u>13,315.00</u>	<u>89,734.93</u>
Noncurrent Liabilities:				
Bonds Payable:				
Revenue	735,234.60	682,316.62		1,417,551.22
Total Noncurrent Liabilities	<u>735,234.60</u>	<u>682,316.62</u>	<u>0.00</u>	<u>1,417,551.22</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt				
	941,839.58	1,284,808.91	205,903.70	2,432,552.19
Restricted Net Assets, Restricted for:				
Revenue Bond Debt Service	17,097.67			17,097.67
Unrestricted Net Assets	160,336.04	398,654.60	1,108,991.60	1,667,982.24
Total Net Assets	<u>1,119,273.29</u>	<u>1,683,463.51</u>	<u>1,314,895.30</u>	<u>4,117,632.10</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,899,529.24</u></u>	<u><u>2,397,178.71</u></u>	<u><u>1,328,210.30</u></u>	<u><u>5,624,918.25</u></u>

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

MUNICIPALITY OF TYNDALL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Light Fund	
Operating Revenue:				
Charges for Goods and Services	232,729.89	94,571.96	1,088,799.47	1,416,101.32
Revenue Dedicated to Servicing Debt		64,200.00		64,200.00
Total Operating Revenue	232,729.89	158,771.96	1,088,799.47	1,480,301.32
Operating Expenses:				
Personal Services		847.00	108,507.31	109,354.31
Other Current Expense	117,797.78	19,387.10	61,134.60	198,319.48
Materials (Cost of Goods Sold)			877,386.12	877,386.12
Depreciation	54,226.20	91,298.00	26,963.00	172,487.20
Total Operating Expenses	172,023.98	111,532.10	1,073,991.03	1,357,547.11
Operating Income (Loss)	60,705.91	47,239.86	14,808.44	122,754.21
Nonoperating Revenue (Expense):				
Investment Earnings	118.21	378.45	3,969.58	4,466.24
Interest Expense and Fiscal Charges	(22,697.22)	(23,815.71)		(46,512.93)
Total Nonoperating Revenue (Expense)	(22,579.01)	(23,437.26)	3,969.58	(42,046.69)
Change in Net Assets	38,126.90	23,802.60	18,778.02	80,707.52
Net Assets - Beginning	1,081,146.39	1,659,660.91	1,296,117.28	4,036,924.58
NET ASSETS - ENDING	1,119,273.29	1,683,463.51	1,314,895.30	4,117,632.10

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

**MUNICIPALITY OF TYNDALL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011**

	Enterprise Funds			Totals
	Water Fund	Sewer Fund	Light Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Receipts from Customers	233,028.26	158,728.71	1,104,834.06	1,496,591.03
Cash Payments to Employees for Services		(847.00)	(108,507.31)	(109,354.31)
Cash Payments to Suppliers of Goods and Services	(133,296.68)	(19,590.28)	(948,179.38)	(1,101,066.34)
Net Cash Provided (Used) by Operating Activities	99,731.58	138,291.43	48,147.37	286,170.38
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Capital Assets		(7,235.00)		(7,235.00)
Principal Paid on Capital Debt	(84,135.77)	(30,398.53)		(114,534.30)
Interest Paid on Capital Debt	(22,697.22)	(23,815.71)		(46,512.93)
Net Cash Provided (Used) by Capital and Related Financing Activities	(106,832.99)	(61,449.24)	0.00	(168,282.23)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received for Interest	118.21	378.45	3,969.58	4,466.24
Net Cash Provided (Used) by Investing Activities	118.21	378.45	3,969.58	4,466.24
Net Increase (Decrease) in Cash and Cash Equivalents	(6,983.20)	77,220.64	52,116.95	122,354.39
Balances - Beginning	115,305.08	288,758.64	573,074.03	977,137.75
Balances - Ending	108,321.88	365,979.28	625,190.98	1,099,492.14
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	60,705.91	47,239.86	14,808.44	122,754.21
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	54,226.20	91,298.00	26,963.00	172,487.20
Change in Assets and Liabilities:				
Receivables	298.37	(43.25)	15,644.59	15,899.71
Inventories	(15,498.90)	(203.18)	(9,658.66)	(25,360.74)
Customer Deposits			390.00	390.00
Net Cash Provided (Used) by Operating Activities	99,731.58	138,291.43	48,147.37	286,170.38

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Tyndall (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Tyndall, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Tyndall Housing and Redevelopment Commission, P.O. Box 476, Tyndall, SD 57066.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets/Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Proprietary Funds:

Enterprise Funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues, earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Light Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets/Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets/Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Tyndall, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2012 are ambulance billings.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6.

e. 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. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

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.

Infrastructure assets used in general government operations consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Assets/Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Assets/Net Position and on each proprietary fund's Statement of Net Assets/Net Position/Balance Sheet.

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:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land and land rights	\$ -	-- N/A --	-- N/A --
Improvements other than buildings	\$ 5,000.00	Straight-line	15-50 yrs.
Buildings	\$ 5,000.00	Straight-line	33-50 yrs.
Machinery & Equipment	\$ 5,000.00	Straight-line	5-10 yrs.
Infrastructure	\$ 5,000.00	Straight-line	30-50 yrs.
Utility property and improvements	\$ 5,000.00	Straight-line	15-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of an RECD loan and SRF loans.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Assets/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, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

i. Cash and Cash Equivalents:

For the purposes of the proprietary fund's Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits (including restricted assets) with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets 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 assets/net position – Consists of net assets/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 assets/net position – All other net assets/net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

k. Application of Net Assets/Net Position:

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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

I. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Municipality uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Municipality does not have a formal minimum fund balance policy.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality 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 Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. 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. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits municipal funds to be invested only 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) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

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

Interest Rate Risk – The Municipality 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.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

4. INVENTORY

Inventory in the enterprise funds consists of expendable supplies held for consumption. Supplies are recorded at cost.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable property in the Municipality.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the two years ended December 31, 2012, is as follows:

	Balance 01/01/2011	Increases	Decreases	Balance 12/31/2012
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	25,201.75			25,201.75
Construction Work in Progress	0.00	115,075.00	(115,075.00)	0.00
Total, not being depreciated	<u>25,201.75</u>	<u>115,075.00</u>	<u>(115,075.00)</u>	<u>25,201.75</u>
Capital Assets, being Depreciated:				
Buildings	1,036,562.65	174,103.00	(7,100.00)	1,203,565.65
Improvements Other Than Buildings	1,041,278.05			1,041,278.05
Machinery and Equipment	594,861.00	120,144.00		715,005.00
Total, being Depreciated	<u>2,672,701.70</u>	<u>294,247.00</u>	<u>(7,100.00)</u>	<u>2,959,848.70</u>
Less Accumulated Depreciation for:				
Buildings	(323,650.00)	(68,420.00)	7,100.00	(384,970.00)
Improvements Other Than Buildings	(111,924.00)	(54,948.00)		(166,872.00)
Machinery and Equipment	(325,999.00)	(98,952.00)		(424,951.00)
Total Accumulated Depreciation	<u>(761,573.00)</u>	<u>(222,320.00)</u>	<u>7,100.00</u>	<u>(976,793.00)</u>
Total Capital Assets, being depreciated, net	<u>1,911,128.70</u>	<u>71,927.00</u>	<u>0.00</u>	<u>1,983,055.70</u>
Governmental Activity Capital Assets, Net	<u>1,936,330.45</u>	<u>187,002.00</u>	<u>(115,075.00)</u>	<u>2,008,257.45</u>

Depreciation expense was charged to functions as follows:

	2011	2012
Governmental Activities:		
General Government	6,043.00	6,811.00
Public Safety	29,822.00	26,144.00
Public Works	42,766.00	37,374.00
Culture and Recreation	19,471.00	21,129.00
Health and Welfare	12,144.00	13,802.00
Conservation and Development	3,407.00	3,407.00
Total Depreciation Expense - Governmental Activities	<u>113,653.00</u>	<u>108,667.00</u>

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/2011	Increases	Decreases	Balance 12/31/2012
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	56,675.00			56,675.00
Construction Work in Progress	0.00	73,028.00		73,028.00
Total, not being depreciated	<u>56,675.00</u>	<u>73,028.00</u>	<u>0.00</u>	<u>129,703.00</u>
Capital Assets, being Depreciated:				
Buildings	135,000.00			135,000.00
Improvements Other Than Buildings	6,559,126.14	52,424.00	(182,431.00)	6,429,119.14
Machinery and Equipment	189,259.00	18,459.50		207,718.50
Total, being Depreciated	<u>6,883,385.14</u>	<u>70,883.50</u>	<u>(182,431.00)</u>	<u>6,771,837.64</u>
Less Accumulated Depreciation for:				
Buildings	(135,000.00)			(135,000.00)
Improvements Other Than Buildings	(2,584,865.80)	(311,855.40)	152,052.00	(2,744,669.20)
Machinery and Equipment	(128,418.80)	(26,441.00)		(154,859.80)
Total Accumulated Depreciation	<u>(2,848,284.60)</u>	<u>(338,296.40)</u>	<u>152,052.00</u>	<u>(3,034,529.00)</u>
Total Capital Assets, being depreciated, net	<u>4,035,100.54</u>	<u>(267,412.90)</u>	<u>(30,379.00)</u>	<u>3,737,308.64</u>
Business-Type Activity Capital Assets, Net	<u>4,091,775.54</u>	<u>(194,384.90)</u>	<u>(30,379.00)</u>	<u>3,867,011.64</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities:	2011	2012
Water	54,226.20	54,414.20
Sanitary Sewer	91,298.00	92,681.00
Electricity	26,963.00	18,714.00
Total Depreciation Expense - Business-Type Activities	<u>172,487.20</u>	<u>165,809.20</u>

Construction Work in Progress at December 31, 2012 is composed of the following:

Project Name	Project Authorization	Expended through 12/31/2012	Committed	Required Future Financing
Load Management System Upgrade	\$ 250,000.00	\$ 73,028.00	\$ 176,972.00	\$0.00

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the two years ended December 31, 2012 is as follows:

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2012
Land	39,276.00			39,276.00
Buildings	1,340,544.77	18,058.93		1,358,603.70
Improvements Other than Buildings	148,949.68	323,068.30		472,017.98
Furnishings and Equipment	116,928.24	6,106.92		123,035.16
TOTAL	1,645,698.69	347,234.15	0.00	1,992,932.84

8. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance 01/01/11	Additions	Deletions	Ending Balance 12/31/2012	Due Within One Year
Primary Government:					
Governmental Activities:					
Debt Payable:					
Notes Payable	67,066.13		12,136.80	54,929.33	7,112.81
Total Governmental Activities	67,066.13	0.00	12,136.80	54,929.33	7,112.81
Business-Type Activities:					
Debt Payable:					
Revenue - SRF Drinking Water	24,814.16		24,814.16	0.00	0.00
Revenue - SRF Drinking Water	753,791.35		44,556.72	709,234.63	23,125.17
Revenue - SRF Clean Water	744,113.73		61,797.11	682,316.62	32,431.55
Revenue Notes Payable	85,786.21		85,786.21	0.00	0.00
Total Business-Type Activities	1,608,505.45	0.00	216,954.20	1,391,551.25	55,556.72
TOTAL PRIMARY GOVERNMENT	1,675,571.58	0.00	229,091.00	1,446,480.58	62,669.53
Component Unit:					
Mortgage Payable:					
Revenue	348,815.67		66,216.73	282,598.94	36,832.03
TOTAL COMPONENT UNIT	348,815.67	0.00	66,216.73	282,598.94	36,832.03

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Debt payable at December 31, 2012 is comprised of the following:

Revenue Debt:

Water System Revenue Bonds, Final Maturity Date October 1, 2035, 2.5% Interest Rate, Paid by Water Fund	\$ 709,234.63
Sanitary Sewer Revenue Bonds, Final Maturity Date February 15, 2029, 3.25% Interest Rate, Paid by the Sewer Fund	\$ 682,316.62
Rural Development Note for Daycare, Final Maturity Date October 1, 2019, 4.250% Interest Rate, Paid by the General Fund	\$ 54,929.23

The annual requirements to amortize all debt outstanding as of December 31, 2012 are as follows:

Annual Requirements to Maturity for Long-Term Debt
December 31, 2012

Year Ending December 31	Water System Revenue Bonds - SRF Drinking Water #2		Water System Revenue Bonds - SRF Clean Water #1	
	Principal	Interest	Principal	Interest
	2013	23,125.17	17,515.19	32,431.55
2014	23,708.74	16,931.62	33,498.48	20,715.76
2015	24,307.03	16,333.33	34,600.53	19,613.71
2016	24,920.44	15,719.92	35,738.82	18,475.42
2017	25,549.31	15,091.05	36,914.57	17,299.67
2018-2022	137,749.36	65,452.44	203,608.23	67,462.97
2023-2027	156,029.78	47,172.02	239,377.33	31,693.87
2028-2032	176,736.13	26,465.47	66,147.11	1,620.69
2033-2037	117,108.67	4,812.41		
Totals	709,234.63	225,493.45	682,316.62	198,664.78

Year Ending December 31	Rural Development Note for Daycare		Totals	
	Principal	Interest	Principal	Interest
	2013	7,112.81	2,282.19	62,669.53
2014	7,415.10	1,979.90	64,622.32	39,627.28
2015	7,730.25	1,664.75	66,637.81	37,611.79
2016	8,058.78	1,336.22	68,718.04	35,531.56
2017	8,401.28	993.72	70,865.16	33,384.44
2018-2022	16,211.11	901.11	357,568.70	133,816.52
2023-2027			395,407.11	78,865.89
2028-2032			242,883.24	28,086.16
2033-2037			117,108.67	4,812.41
Totals	54,929.33	9,157.89	1,446,480.58	433,316.12

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. CONDUIT DEBT

In the past, the Municipality has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the Municipality, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2012, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of \$792,382.54.

10. OPERATING COMMITMENT

In 2005, the Municipality of Tyndall entered into an operating commitment with B-Y Water to provide water to the Municipality. A charge of \$3.00 per 1,000 gallons of water consumed is paid by the Municipality to B-Y Water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

11. RESTRICTED NET ASSETS/NET POSITION

Restricted net assets/net position for the two years ended December 31, 2012 were as follows:

Major Funds:	<u>12/31/2011</u>	<u>12/31/2012</u>
Water Fund:		
Debt Service	<u>17,097.67</u>	<u>0.00</u>
Total Restricted Net Assets/Net Position	<u><u>17,097.67</u></u>	<u><u>0.00</u></u>

These balances are restricted due to federal grant and statutory requirements.

12. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provide retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provision are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2012, 2011, and 2010 were \$15,520.41, \$15,252.62, and \$15,074.91, respectively, equal to the required contributions each year.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

13. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2012, the Municipality was not involved in any significant litigation.

14. RISK MANAGEMENT

The Municipality 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, 2012, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality 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.

Worker's Compensation:

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

Unemployment Benefits:

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

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF TYNDALL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	270,138.00	270,138.00	266,621.69	(3,516.31)
General Sales and Use Taxes	250,000.00	250,000.00	257,194.20	7,194.20
Amusement Taxes	200.00	200.00	120.00	(80.00)
Tax Deed Revenue	400.00	400.00	1,180.20	780.20
Penalties & Interest on Delinquent Taxes	0.00	0.00	1,041.38	1,041.38
Licenses and Permits	4,400.00	4,400.00	5,274.00	874.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	11,752.52	11,752.52
State Grants	20,000.00	20,000.00	6,000.00	(14,000.00)
State Shared Revenue:				
Bank Franchise Tax	500.00	500.00	506.49	6.49
Motor Vehicle Commercial Prorate	3,500.00	3,500.00	2,935.81	(564.19)
Liquor Tax Reversion	7,500.00	7,500.00	8,245.92	745.92
Motor Vehicle Licenses	8,500.00	8,500.00	11,277.93	2,777.93
Local Government Highway and Bridge Fund	21,000.00	21,000.00	26,888.50	5,888.50
State Payments in Lieu of Taxes	0.00	0.00	2,343.58	2,343.58
County Shared Revenue:				
County Road Tax	2,850.00	2,850.00	2,849.01	(0.99)
Charges for Goods and Services:				
Highways and Streets	200.00	200.00	5,741.25	5,541.25
Culture and Recreation	7,500.00	7,500.00	6,384.46	(1,115.54)
Ambulance	80,000.00	80,000.00	86,880.68	6,880.68
Fines and Forfeits:				
Court Fines and Costs	100.00	100.00	16.25	(83.75)
Miscellaneous Revenue:				
Investment Earnings	500.00	500.00	283.87	(216.13)
Rentals	4,001.00	4,001.00	5,246.00	1,245.00
Special Assessments	0.00	0.00	900.00	900.00
Other	15,000.00	15,000.00	8,066.20	(6,933.80)
Total Revenue	696,289.00	696,289.00	717,749.94	21,460.94

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF TYNDALL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Legislative	26,100.00	26,950.00	26,937.73	12.27
Contingency	25,000.00	25,000.00		
Amount Transferred		(20,750.00)		4,250.00
Elections	700.00	700.00	27.53	672.47
Financial Administration	34,350.00	34,350.00	31,548.81	2,801.19
Other	98,475.00	113,575.00	113,574.62	0.38
Total General Government	<u>184,625.00</u>	<u>179,825.00</u>	<u>172,088.69</u>	<u>7,736.31</u>
Public Safety:				
Police	116,800.00	151,800.00	112,897.51	38,902.49
Fire	33,000.00	33,000.00	25,976.45	7,023.55
Total Public Safety	<u>149,800.00</u>	<u>184,800.00</u>	<u>138,873.96</u>	<u>45,926.04</u>
Public Works:				
Highways and Streets	<u>239,700.00</u>	<u>274,700.00</u>	<u>272,667.23</u>	<u>2,032.77</u>
Health and Welfare:				
Health	2,500.00	2,500.00	449.88	2,050.12
Humane Society	150.00	150.00	150.00	0.00
Ambulance	64,850.00	64,850.00	54,504.85	10,345.15
Total Health and Welfare	<u>67,500.00</u>	<u>67,500.00</u>	<u>55,104.73</u>	<u>12,395.27</u>
Culture and Recreation:				
Recreation	35,600.00	35,600.00	35,263.47	336.53
Parks	48,800.00	56,600.00	56,592.98	7.02
Libraries	38,000.00	38,200.00	26,669.76	11,530.24
Total Culture and Recreation	<u>122,400.00</u>	<u>130,400.00</u>	<u>118,526.21</u>	<u>11,873.79</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	10,000.00	10,000.00	0.00	10,000.00
Economic Opportunity	5,940.00	5,940.00	1,880.50	4,059.50
Total Conservation and Development	<u>15,940.00</u>	<u>15,940.00</u>	<u>1,880.50</u>	<u>14,059.50</u>
Debt Service	<u>9,400.00</u>	<u>9,400.00</u>	<u>9,395.00</u>	<u>5.00</u>
Total Expenditures	<u>789,365.00</u>	<u>862,565.00</u>	<u>768,536.32</u>	<u>94,028.68</u>
Net Change in Fund Balances	<u>(93,076.00)</u>	<u>(166,276.00)</u>	<u>(50,786.38)</u>	<u>115,489.62</u>
Fund Balance - Beginning	<u>302,323.86</u>	<u>302,323.86</u>	<u>302,323.86</u>	<u>0.00</u>
FUND BALANCE - ENDING	<u>209,247.86</u>	<u>136,047.86</u>	<u>251,537.48</u>	<u>115,489.62</u>

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF TYNDALL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	257,508.00	257,508.00	252,622.55	(4,885.45)
General Sales and Use Taxes	200,000.00	200,000.00	271,463.95	71,463.95
Amusement Taxes	200.00	200.00	204.00	4.00
Tax Deed Revenue	0.00	0.00	1,748.46	1,748.46
Penalties & Interest on Delinquent Taxes	250.00	250.00	960.39	710.39
Licenses and Permits	5,900.00	5,900.00	5,020.75	(879.25)
Intergovernmental Revenue:				
Federal Grants	30,000.00	30,000.00	41,170.00	11,170.00
State Grants	0.00	26,030.00	26,029.50	(0.50)
State Shared Revenue:				
Bank Franchise Tax	6,000.00	6,000.00	208.99	(5,791.01)
Motor Vehicle Commercial Prorate	1,500.00	1,500.00	3,145.28	1,645.28
Liquor Tax Reversion	7,000.00	7,000.00	7,749.07	749.07
Motor Vehicle Licenses	7,000.00	7,000.00	9,330.02	2,330.02
Local Government Highway and Bridge Fund	16,000.00	16,000.00	21,153.36	5,153.36
Other	3,000.00	3,000.00	0.00	(3,000.00)
County Shared Revenue:				
County Road Tax	2,850.00	2,850.00	2,849.01	(0.99)
Other Intergovernmental Revenues	0.00	0.00	2,162.09	2,162.09
Charges for Goods and Services:				
Highways and Streets	1,000.00	1,000.00	843.00	(157.00)
Culture and Recreation	7,500.00	7,500.00	19,518.75	12,018.75
Ambulance	65,000.00	65,000.00	79,374.07	14,374.07
Fines and Forfeits:				
Court Fines and Costs	100.00	100.00	107.50	7.50
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	405.86	(594.14)
Rentals	4,000.00	4,000.00	4,646.00	646.00
Other	9,000.00	9,000.00	29,804.44	20,804.44
Total Revenue	624,808.00	650,838.00	780,517.04	129,679.04

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF TYNDALL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Legislative	30,600.00	30,600.00	29,740.85	859.15
Contingency	25,000.00	25,000.00		
Amount Transferred		(25,000.00)		0.00
Elections	700.00	700.00	19.34	680.66
Financial Administration	32,950.00	32,950.00	30,198.32	2,751.68
Other	22,500.00	72,695.00	56,918.26	15,776.74
Total General Government	<u>111,750.00</u>	<u>136,945.00</u>	<u>116,876.77</u>	<u>20,068.23</u>
Public Safety:				
Police	116,300.00	116,300.00	111,861.22	4,438.78
Fire	36,200.00	36,200.00	26,840.30	9,359.70
Total Public Safety	<u>152,500.00</u>	<u>152,500.00</u>	<u>138,701.52</u>	<u>13,798.48</u>
Public Works:				
Highways and Streets	<u>220,900.00</u>	<u>253,900.00</u>	<u>239,049.77</u>	<u>14,850.23</u>
Health and Welfare:				
Health	0.00	8,000.00	7,725.29	274.71
Humane Society	150.00	150.00	63.97	86.03
Ambulance	63,150.00	89,180.00	75,637.31	13,542.69
Total Health and Welfare	<u>63,300.00</u>	<u>97,330.00</u>	<u>83,426.57</u>	<u>13,903.43</u>
Culture and Recreation:				
Recreation	37,150.00	37,150.00	36,093.01	1,056.99
Parks	149,600.00	183,600.00	138,867.36	44,732.64
Libraries	31,500.00	31,500.00	29,746.73	1,753.27
Total Culture and Recreation	<u>218,250.00</u>	<u>252,250.00</u>	<u>204,707.10</u>	<u>47,542.90</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	5,000.00	5,000.00	0.00	5,000.00
Economic Opportunity	5,940.00	5,940.00	4,245.58	1,694.42
Total Conservation and Development	<u>10,940.00</u>	<u>10,940.00</u>	<u>4,245.58</u>	<u>6,694.42</u>
Debt Service	<u>9,400.00</u>	<u>9,400.00</u>	<u>9,395.00</u>	<u>5.00</u>
Total Expenditures	<u>787,040.00</u>	<u>913,265.00</u>	<u>796,402.31</u>	<u>116,862.69</u>
Net Change in Fund Balances	<u>(162,232.00)</u>	<u>(262,427.00)</u>	<u>(15,885.27)</u>	<u>246,541.73</u>
Fund Balance - Beginning	318,209.13	318,209.13	318,209.13	0.00
FUND BALANCE - ENDING	<u>155,977.13</u>	<u>55,782.13</u>	<u>302,323.86</u>	<u>246,541.73</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

The Municipality did not encumber any amounts at December 31, 2011 or 2012.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.