CITY OF MANSFIELD, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

	Page
Principal Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation to the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) to Actual General Fund	17
Statement of Net Position – Proprietary Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20
Notes to the Basic Financial Statements	21-35
Non-Major Governmental Funds:	
Combining Balance Sheet	36
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	37

	Page
Financial Statements of Individual Funds:	
SPLOST Capital Projects Fund Schedule of Revenues Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual	38
Confiscated Assets Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual	39
Compliance Section:	
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*	40-41
Status of Prior Audit Findings	42-43
Schedule of Current Audit Findings and Responses	44-45

CITY OF MANSFIELD, GEORGIA
PRINCIPAL OFFICIALS

2014 MAYOR

Jefferson Riley

2014 CITY COUNCIL

Matt Clark
Lisa Dunn
Helen Robertson
Marty Smallwood
Chris Fulmer

CURRENT MAYOR

Jefferson Riley

CURRENT CITY COUNCIL

Lisa Dunn
Helen Robertson
Marty Smallwood
Chris Fulmer

RECTOR & LOFTON REEDER & PC

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Mansfield, Georgia

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mansfileld, Georgia (the "City") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 the *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 entity'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 entity'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 reasonable basis for our audit opinions.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Mansfileld, Georgia, as of December 31, 2014, and the respective changes in financial position and, where appropriate, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, as listed in the table of contents, should 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.

Other Information

The introductory section, and combining and individual Nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual Nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The introductory and Nonmajor fund financial statement sections have not been subjected to auditing procedures and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 City's internal control over financial reporting and compliance.

Rector, Reeder & Lofton, P.C.

Rector, Reeder & Lofton, P.C.
Certified Public Accountants

Lawrenceville, Georgia
December 21, 2015

CITY OF MANSFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Mansfield, we offer readers of the City of Mansfield's financial statements this narrative overview and analysis of the financial activities of the City of Mansfield for fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with their review of the financial statements.

Financial Highlights

- The assets of the City of Mansfield exceeded its liabilities at December 31, 2014 by $5,486,371. Of this amount, unrestricted net position of $1,904,814 may be used to meet the government's ongoing obligations to citizens and creditors. The $1,904,814 in unrestricted net position is further allocated with $(122,833) to governmental-type activities and $2,027,647 to business-type activities.

- The total net positon increased by $57,019. Of this amount, a net decrease of $91,599 was associated with governmental activities, and a net increase of $148,618 associated with business-type activities.

- As of the close of the current fiscal year, the City of Mansfield's governmental funds reported combined ending fund balances of $126,590, a decrease of $119,452 in comparison with the prior year. Of this amount, $6,273 is non-spendable, $257,678 is restricted, and a deficit of $137,361 is unassigned. The unassigned deficit of $137,361 consists of various assets netted against their respective liabilities. See the attached Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position for additional detail.

- At the end of the current year, unassigned fund balance for the general fund was a deficit of $137,361 of 37.6% of total General Fund expenditures, not including transfers to other funds.

Overview of the financial statements

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying even giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mansfield include general government, public safety and courts, highways and streets, parks and recreation, community development, economic development, and code enforcement. The business-type activities of the City are water and sewer, solid waste management and electrical supply.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal period. Such information may be useful in evaluating a government's near term financing requirements.

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

The City maintains one major governmental fund. The City's major governmental fund is the General Fund. Information is presented separately in the governmental fund balance sheet and

in the governmental fund statement of revenues, expenditures, and changes in fund balances for this major fund.

The City of Mansfield adopts an annual budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with the fiscal year 2014 budget. An annual budget for the non-major funds and a project length budget for the SPLOST Capital Projects Fund have been adopted by the City and are presented in the individual fund financial statements.

Proprietary funds. Enterprise funds (a component of proprietary funds) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses utility enterprise funds to account for its water and sewer, and electrical supply activities. The City's Electric and Water and Sewer Funds are considered by the City to be major funds.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the City's major funds.

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

Other information. In addition to the basic financial statement and accompanying notes, this report also presents certain other supplementary information which consists of individual fund financial statements.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mansfield, assets exceeded liabilities by $5,486,371 at the close of the most recent fiscal year.

A portion of the City's net position (60%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt that is still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Mansfield's Net Position

	Governmental Activities		
	2014	2013	Change
Current and other assets	$ 218,709	$ 282,210	$ (63,501)
Capital assets	179,297	151,444	27,853
Total assets	$ 398,006	$ 433,654	$ (35,648)
Current liabilities	$ 83,864	$ 27,913	$ 55,951
Long-term liabilities	-	-	-
Total liabilities	83,864	27,913	55,951
Net position			
Net investment in capital assets	179,297	151,444	27,853
Restricted	257,678	251,653	6,025
Unrestricted	(122,833)	2,644	(125,477)
Total net position	314,142	405,741	(91,599)
Total liabilities & net position	$ 398,006	$ 433,654	$ (35,648)

	Business-Type Activities		
	2014	2013	Change
Current and other assets	$ 2,125,060	$ 1,995,856	$ 129,204
Capital assets	3,383,608	3,419,199	(35,591)
Total assets	$ 5,508,668	$ 5,415,055	$ 93,613
Current liabilities	$ 98,939	$ 125,944	$ (27,005)
Long-term liabilities	237,500	265,500	(28,000)
Total liabilities	336,439	391,444	(55,005)
Net position			
Net investment in capital assets	3,131,608	3,153,699	(22,091)
Restricted	12,974	67,564	(54,590)
Unrestricted	2,027,647	1,802,348	225,299
Total net position	5,172,229	5,023,611	148,618
Total liabilities & net position	$ 5,508,668	$ 5,415,055	$ 93,613

City of Mansfield's Net Position

	Total		
	2014	2013	Change
Current and other assets	$ 2,343,769	$ 2,278,066	$ 65,703
Capital assets	3,562,905	3,570,643	(7,738)
Total assets	$ 5,906,674	$ 5,848,709	$ 57,965
Current liabilities	$ 182,803	$ 153,857	$ 28,946
Long-term liabilities	237,500	265,500	(28,000)
Total liabilities	420,303	419,357	946
Net position			
Net investment in capital assets	3,310,905	3,305,143	5,762
Restricted	270,652	319,217	(48,565)
Unrestricted	1,904,814	1,804,992	99,822
Total net position	5,486,371	5,429,352	57,019
Total liabilities & net position	$ 5,906,674	$ 5,848,709	$ 57,965

A portion of the net position ($270,652) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($1,904,814) may be used to meet the government's ongoing obligations to citizens and creditors.

City of Mansfield's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue:						
Program Revenues -						
Charges for services	$ 4,078	$ 6,369	$ 902,730	$ 848,440	$ 906,808	$ 854,809
Capital grants & contributions	43,122	49,632	-	-	43,122	49,632
General Revenues -						
Property taxes	87,705	59,668	-	-	87,705	59,668
Sales taxes	68,028	78,326	-	-	68,028	78,326
Insurance premium taxes	22,113	12,530	-	-	22,113	12,530
Franchise fees	8,526	3,768	-	-	8,526	3,768
Interest	107	53	10,551	4,850	10,658	4,903
Other	11,762	20,300	250,000	-	261,762	20,300
Total Revenues	245,441	230,646	1,163,281	853,290	1,408,722	1,083,936
Expenses:						
General government	253,478	226,457	-	-	253,478	226,457
Public safety	-	312	-	-	-	312
Public works	83,562	60,443	-	-	83,562	60,443
Electrical	-	-	740,767	508,836	740,767	508,836
Water and sewer	-	-	273,896	230,528	273,896	230,528
Total Expenses	337,040	287,212	1,014,663	739,364	1,351,703	1,026,576
(Decrease) increase in net position before transfers	(91,599)	(56,566)	148,618	113,926	57,019	57,360
Transfers	-	-	-	-	-	-
(Decrease) increase in net position	(91,599)	(56,566)	148,618	113,926	57,019	57,360
Net position - beginning of period	405,741	462,307	5,023,611	4,909,685	5,429,352	5,371,992
Net position - end of period	$ 314,142	$ 405,741	$ 5,172,229	$ 5,023,611	$ 5,486,371	$ 5,429,352

Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Mansfield's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Mansfield's financial requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of $314,142, a decrease of $91,599 in comparison with the prior year. Of this amount, the City has a deficit in their *unreserved fund balance* of $(122,833).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was a deficit of $137,361. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 41.9% of total general fund expenditures.

The fund balance of the City's general fund decreased by $118,132 during the current fiscal year.

Capital assets and debt administration

Capital assets. The City's investment in capital assets as of December 31, 2014, amounts to $3,562,905 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and infrastructure.

City of Mansfield, Georgia

Capital Assets

	Governmental Activities	Buisness-Type Activities	Total Current	Total Prior
Land	$ 20,000	$ 154,592	$ 174,592	$ 174,592
Infrastructure	51,302	4,963,841	5,015,143	4,914,908
Buildings	249,263	107,353	356,616	351,594
Vehicles	42,306	100,159	142,465	142,465
Equipment	99,605	13,640	113,245	106,950
Less accumulated depreciation	(283,179)	(1,955,977)	(2,239,156)	(2,119,866)
Net	$ 179,297	$ 3,383,608	$ 3,562,905	$ 3,570,643

Additional information on the City of Mansfield's capital assets can be found in accompanying Notes to the Financial Statements.

Long-term debt. At the end of the current year, the City had total bonds outstanding of $252,000. The full amount comprises debt backed by the full faith and credit of the City.

Additional information on the City's long-term debt can be found in the accompanying Notes to the Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the City of Mansfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Mansfield
P.O. Box 35
Mansfield, Georgia 30055

CITY OF MANSFIELD, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 562,224	$ 504,110	$ 1,066,334
Investments	-	877,366	877,366
Accounts receivable, net	-	69,993	69,993
Taxes receivable	5,248	-	5,248
Intergovernmental receivable	98,298	-	98,298
Prepaid items	6,273	-	6,273
Internal balances	(453,334)	453,334	-
Restricted cash - noncurrent	-	136,156	136,156
Investments - noncurrent	-	84,101	84,101
Capital assets, not being depreciation	20,000	154,592	174,592
Capital assets, net of accumulated depreciation	159,297	3,229,016	3,388,313
Total Assets	$ 398,006	$ 5,508,668	$ 5,906,674
Liabilities			
Accounts payable	$ 45,561	$ 44,869	$ 90,430
Due to other governmental agencies	275	-	275
Payroll liabilities	7,028	-	7,028
Deferred revenue	31,000	3,000	34,000
Liabilities payable from restricted assets:			
Customer deposits	-	36,570	36,570
Bonds and notes payable:			
Current within one year	-	14,500	14,500
Noncurrent due greater than one year	-	237,500	237,500
Total Liabilities	$ 83,864	$ 336,439	$ 420,303
Net Position			
Net investment in capital assets	$ 179,297	$ 3,131,608	$ 3,310,905
Restricted for:			
Debt service	-	12,974	12,974
Public safety	16,384	-	16,384
Roads and bridges	241,294	-	241,294
Unrestricted	(122,833)	2,027,647	1,904,814
Total Net Position	$ 314,142	$ 5,172,229	$ 5,486,371

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government:						
Governmental activities:						
General government	$ 253,478	$ 4,078	$ -	$ (249,400)	$ -	$ (249,400)
Public safety	-	-	-	-	-	-
Public works	83,562	-	43,122	(40,440)	-	(40,440)
Total governmental activities	337,040	4,078	43,122	(289,840)	-	(289,840)
Business-type activities:						
Electric	740,767	741,789	-	-	1,022	1,022
Water and sewer	273,896	160,941	-	-	(112,955)	(112,955)
Total business-type activities	1,014,663	902,730	-	-	(111,933)	(111,933)
Total primary government	$ 1,351,703	$ 906,808	$ 43,122	(289,840)	(111,933)	(401,773)
General revenues:						
Taxes						
Property Taxes, levied for general purpose				87,705	-	87,705
Sales Tax				68,028	-	68,028
Insurance premium tax				22,113	-	22,113
Franchise fees				8,526	-	8,526
Investment earnings				107	10,551	10,658
Other				11,762	250,000	261,762
Total general revenues				198,241	260,551	458,792
Transfers				-	-	-
Total general revenues and transfers				198,241	260,551	458,792
Change in net position				(91,599)	148,618	57,019
Net position - beginning of period				405,741	5,023,611	5,429,352
Net position - end of period				$ 314,142	$ 5,172,229	$ 5,486,371

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	$ 416,365	$ 145,859	$ 562,224
Accounts receivable	-	-	-
Taxes receivable	5,248	-	5,248
Intergovernmental receivables	6,879	91,419	98,298
Prepaid items	6,273	-	6,273
Total Assets	$ 434,765	$ 237,278	$ 672,043
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 45,561	$ -	$ 45,561
Due to other governments	275	-	275
Payroll liabilities	7,028	-	7,028
Internal balances	473,734	(20,400)	453,334
Deferred revenue	39,255	-	39,255
Total Liabilities	565,853	(20,400)	545,453
Fund Balances:			
Non-spendable prepaid items	6,273	-	6,273
Restricted for:			
Roads and bridges	-	241,294	241,294
Law enforcement	-	16,384	16,384
Unassigned	(137,361)	-	(137,361)
Total Fund Balances	(131,088)	257,678	126,590
Total Liabilities and Fund Balances	$ 434,765	$ 237,278	$ 672,043

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of Net Position are different due to:

Total fund balances - total governmental funds	$	126,590
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.		179,297
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.		8,255
Net position of governmental activities	$	314,142

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Other Governmental Funds	Total
Revenues			
Taxes	$ 186,372	$ -	$ 186,372
Licenses and permits	4,078	-	4,078
Intergovernmental	-	43,122	43,122
Charges for services	-	-	-
Investment income	107	-	107
Other revenue	11,762	-	11,762
Total Revenues	202,319	43,122	245,441
Expenditures			
Current:			
General government	232,917	9,922	242,839
Public works	83,562	-	83,562
Capital outlay:			
General government	11,317	27,175	38,492
Public works	-	-	-
Total Expenditures	327,796	37,097	364,893
Net change in fund balances	(125,477)	6,025	(119,452)
Fund balance - beginning of year	(5,611)	251,653	246,042
Fund balance - end of year	$ (131,088)	$ 257,678	$ 126,590

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts reported for governmental activities in the statement of activities is different due to:

Net changes in fund balances - total government funds	$	(119,452)
Property taxes are reported as revenues in the funds when the resources are measureable and available. Property taxes are reported as revenues in the Statement of Activities when they represent a legally enforceable claim.		-
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 ($38,492) exceeded depreciation ($10,639) in the current period.		27,853
Change in net position of governmental activities	$	(91,599)

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Taxes	$ 165,705	$ 165,705	$ 186,372	$ 20,667
Licenses and permits	4,200	4,200	4,078	(122)
Charges for services	-	-	-	-
Investment income	1,500	1,500	107	(1,393)
Other revenue	98,879	98,879	11,762	(87,117)
Total Revenues	270,284	270,284	202,319	(67,965)
Expenditures				
Current:				
General government	310,884	310,884	232,917	(77,967)
Public works	22,000	22,000	83,562	61,562
Capital outlay:				
General government	4,000	4,000	11,317	7,317
Public works	-		-	-
Total Expenditures	336,884	336,884	327,796	(9,088)
Net change in fund balances	$ (66,600)	$ (66,600)	(125,477)	$ (77,053)
Fund balance - beginning of year			(5,611)	
Fund balance - end of year			$ (131,088)	

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2014

	Electric Fund	Water and Sewer Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 395,624	$ 108,486	$ 504,110
Investments	877,366	-	877,366
Accounts receivable, net	57,552	12,441	69,993
Total Current Assets	1,330,542	120,927	1,451,469
Restricted Assets			
Cash and cash equivalents	123,182	12,974	136,156
Internal balances	517,020	(63,686)	453,334
Total Restricted Assets	640,202	(50,712)	589,490
Noncurrent Assets			
Investments	84,101	-	84,101
Capital assets not being depreciated	30,000	124,592	154,592
Capital assets, net of accumulated depreciation	614,736	2,614,280	3,229,016
Total Noncurrent Assets	728,837	2,738,872	3,467,709
Total Assets	$ 2,699,581	$ 2,809,087	$ 5,508,668
Liabilities			
Current Liabilities			
Accounts payable	$ 44,151	$ 718	$ 44,869
Payroll liabilities	-	-	-
Deferred revenue	-	3,000	3,000
Liabilities payable from restricted assets:			
Customer deposits	23,815	12,755	36,570
Current maturities of long-term debt	-	14,500	14,500
Total Current Liabilities	67,966	30,973	98,939
Noncurrent Liabilities			
Long-term debt	-	237,500	237,500
Total Liabilities	$ 67,966	$ 268,473	$ 336,439
Net Position			
Net investment in capital assets	$ 644,736	$ 2,486,872	$ 3,131,608
Restricted - debt service	-	12,974	12,974
Unrestricted	1,986,879	40,768	2,027,647
Total Net Position	$ 2,631,615	$ 2,540,614	$ 5,172,229

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities		
	Electric Fund	Water and Sewer Fund	Total
Operating Revenues:			
Sales	$ 741,789	$ 160,941	$ 902,730
Other	250,000	-	250,000
Total Operating Revenues	991,789	160,941	1,152,730
Operating Expenses:			
Personal services	51,865	51,445	103,310
Purchased/contracted	4,428	32,578	37,006
Supplies	591,053	58,761	649,814
Depreciation	20,775	87,876	108,651
Other	72,646	29,961	102,607
Total Operating Expenses	740,767	260,621	1,001,388
Operating income (loss)	251,022	(99,680)	151,342
Non-operating revenues (expenses):			
Interest revenue	10,481	70	10,551
Interest expense	-	(13,275)	(13,275)
Total non-operating revenues (expenses)	10,481	(13,205)	(2,724)
Change in net position	261,503	(112,885)	148,618
Net position - beginning of year	2,370,112	2,653,499	5,023,611
Net position - end of year	$ 2,631,615	$ 2,540,614	$ 5,172,229

See the accompanying notes to financial statements.

CITY OF MANSFIELD, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities		
	Electric Fund	Water and Sewer Fund	Total
Cash flows from operating activities:			
Cash sales to customers	$ 741,789	$ 160,941	$ 902,730
Cash payments to suppliers	(341,795)	(117,282)	(459,077)
Cash payments to employees for services	(51,865)	(51,445)	(103,310)
Net cash provided (used) by operating activities	348,129	(7,786)	340,343
Cash flows from investing activities:			
Interest income received	10,481	70	10,551
Purchase of investments	(505,834)	-	(505,834)
Net cash provided (used) provided by investing activities	(495,353)	70	(495,283)
Cash flows from capital and related financing activities:			
Internal balances	(352,671)	59,180	(293,491)
Purchase of Capital Assets	-	(73,060)	(73,060)
Repayment on notes payable	-	(13,500)	(13,500)
Interest paid	-	(13,275)	(13,275)
Net cash provided (used) in capital and related financing activities	(352,671)	(40,655)	(393,326)
Net change in cash and cash equivalents	(499,895)	(48,371)	(548,266)
Cash and cash equivalents at beginning of year	1,018,701	169,831	1,188,532
Cash and cash equivalents at end of year	$ 518,806	$ 121,460	$ 640,266
Reported on the Statement of Net Position as:			
Unrestricted cash	$ 395,624	$ 108,486	$ 504,110
Restricted cash	123,182	12,974	136,156
Total cash	$ 518,806	$ 121,460	$ 640,266
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 251,022	$ (99,680)	$ 151,342
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	20,775	87,876	108,651
Changes in assets and liabilities:			
Accounts receivable	104,586	17,269	121,855
Accounts payable	(15,765)	(3,201)	(18,966)
Customer deposits	(11,810)	(7,878)	(19,688)
Payroll liabilities	(679)	(1,172)	(1,851)
Deferred revenue	-	(1,000)	(1,000)
Net cash provided (used) by operating activities	$ 348,129	$ (7,786)	$ 340,343

See the accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

1. Introduction:

The financial statements of the City of Mansfield, Georgia (the City) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Organization:

The City was incorporated under the laws of the State of Georgia in 1903 and operates under a mayor-council form of government. The City provides the following services as authorized by its charter: general government (legislative, elections, financial administration, and general government buildings and plant); public safety (police and fire) and Public Works (highways and streets, sanitation and wastewater, water and solid waste). As required by GAAP, the financial statements of the reporting entity include those of the City (the primary government).

3. Reporting Entity:

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Government Accounting Standards Board and Financial Accounting Standards Board and Statement Number 14 and 61 of the Government Accounting Standards Board, the Financial Reporting Entity.* Based on GASB criteria, the City has no entities that qualify as discretely presented or blended component units.

4. Basis of Presentation, Basis of Accounting and Measurement Focus:

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associate with a program or function and, made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants an 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. The City first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

Fiduciary funds and component units that are fiduciary in nature are not reported in the government-wide financial statements. The City does not report any fiduciary funds or component units.

NOTE A -SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

4. Basis of Presentation, Basis of Accounting and Measurement Focus: (Cont'd)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating reserves, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

Electric Fund – This fund accounts for the operation, maintenance and development of the City's electrical system.

Water and Sewer Fund – This fund accounts for the operation, maintenance and development of the City's water and sewer system.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions are transactions in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange. Non-exchange transactions include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The proprietary fund activities statements are divided into operating and non-operation sections. Operating revenues and expenses are the result of activities that are integral to the purpose of the proprietary fund. Non-operating revenues and expense are the results of activities that are related to the proprietary funds, but are not integral to the purpose of the fund, such as interest revenues and expenses.

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

4. Basis of Presentation, Basis of Accounting and Measurement Focus: (Cont'd)

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measureable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, insurance premium tax, franchise taxes, licenses and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

5. Budgets and Budgetary Accounting:

The City follows these procedures in establishing budgetary data reflected in the financial statements:

1. Prior to January 1, the Mayor and the Council Budget Committee prepare a proposed budget for the fiscal year commencing January 1.

2. Public hearings are held to obtain taxpayer's comments.

3. The budget is legally enacted through the passage of a resolution.

4. All revisions to the budget must be submitted to the City Council for approval.

5. The budget is prepared and adopted on a basis consist with generally accepted accounting principles. An annual budget is adopted for the General Fund and Special Revenue Funds. An operating budget is prepared for each Enterprise Fund for planning, control, cost allocation, and evaluation purposes. Budgetary amounts are not formally integrated into the Enterprise Fund general ledgers.

6. Budgetary appropriations lapse at the end of the fiscal year.

6. Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. The City does not utilize encumbrance accounting.

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

7. Deposits and Investments:

Cash consists of demand and interest-bearing deposits held in banks. All deposits with financial institutions must be collateralized in an amount equal to 110% of uninsured deposits. In lieu of a surety bond, a depository of public funds may pledge as collateral any one or more of the following securities as enumerated in OCGA 50-17-59:

- Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the United States or State of Georgia;
- Bonds, bills, certificates of indebtedness, notes, or other direct obligations of the counties or municipalities of the State of Georgia;
- Bonds of any public authority created by Georgia law, if the statute authorizes such use off the bonds and they have been duly validated and there has been no default in the payment of either principal or interest
- Industrial revenue bonds or bonds of development authorities, created by Georgia law that have been duly validated and for which there has been no default in the payment of either principal or interest; or
- Bonds, bills, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the U.S. government that are fully guaranteed by the U.S. government both as to principal and interest; and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage corporation, and the Federal National Mortgage Association.

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

8. Receivables and Payables:

All trade and property tax receivables are shown net of an allowance for uncollectibles, when material.

9. Property Tax Calendar:

Property taxes attach as an enforceable lien on property as of January 1. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Property taxes are levied on September 30. The assessed values are an approximation of market value as determined by the Newton County Tax Assessor. Tax bills are mailed at least 60 days prior to the due date of December 20.

Taxes receivable at December 31, 2014, amounted to $5,248 while deferred property tax revenue totaled $8,255.

Property Tax Year	**2014**
Lien Date	January 1, 2014
Levy Date	September 30, 2014
Collection period	August 20, 2014 – December 20, 2014
Due date	December 20, 2014

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)

10. Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

11. Capital Assets:

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant and equipment, for governmental funds, except for infrastructure, with individual costs that equal or exceed $2,500 are recorded as capital assets. Property, plant and equipment for proprietary funds with individual costs that equal or exceed $25,000 are recorded as capital assets. Capital assets are recorded at costs or estimate historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, net of related interest earned, is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	15-99
Buildings and Improvements	20-50
Water and sewer distribution system	20-50
Heavy machinery and vehicles	3-15
Equipment, furniture and fixtures	5-10
Computer equipment	5-7

Pursuant to GASB Statement No. 34, Phase 3 governments are not required to report major general infrastructure assets retroactively. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before December 31, 2004. However, they do reflect those assets that were either completed during the fiscal year or considered construction in progress at year end.

12. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts:

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The City adopted a policy that allows employees to accumulate unused vacation time up to 160 hours per year. The City has no employees with accumulated unused vacation time as of December 31, 2014.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

1. Excess of expenditures over appropriation in individual departments:

The General Fund's investment revenues did not exceed the fund's respective appropriations by $1,393. This was due to low interest rates on investments and cash accounts in the current year.

The General Fund's public works department had current expenditures that exceeded the respective appropriations by $61,562. This was due to some unexpected repairs and maintenance throughout the City.

The General Fund's public works department had capital expenditures that exceeded the respective appropriations by $7,317. This was due to the purchase of a new utility cart during the year.

2. Deficit fund balance:

The City had a deficit unrestricted fund balance at December 31, 2014, in the General Fund of $131,088, which led to a deficit in the Governmental Activities. The City had some large expenses this year in regard to litigation that was settled during the year as well as additional payroll costs. Additionally, the City is working on aggressively adjusting and allocating the costs more correctly to the proprietary fund activities.

3. Net position restricted by enabling legislation:

The City has a fund balance of $16,384 in the Confiscated Assets Special Revenue Fund and $241,294 in the SPLOST Capital Projects Fund. The net position in the Confiscated Assets Fund is restricted by enabling legislation to be used in support of law enforcement. The net position in the SPLOST fund is restricted by enabling legislation to be spent on road and bridge improvements.

NOTE C - DEPOSIT AND INVESTMENTS:

The carrying amount of the City's deposits with financial institutions was $2,163,957 and the bank balance was $2,171,939. All of the uninsured bank deposits are collateralized by securities that are not held by the pledging financial institution. The securities that secure the City's deposits are held as part of a pool f pledged securities administered under the direction of the Georgia Office of Treasury and Fiscal Services. Because all the City's uninsured deposits are collateralized by assets not held by the pledging financial institution, the City is not exposed to custodial credit risk. The City does not have a custodial credit risk policy other than a policy to comply with state law.

Restricted cash in the enterprise funds represent funds held by a trustee bank for debt service payment activities and future capital expenditures as well as funds held to repay utility deposits to customers.

Municipal Competitive Trust – MEAG Power formed a trust known as the "Municipal Competitive Trust" for the benefit of its Participants (which includes the City of Mansfield, Georgia, along with 40 other cities and counties) and has funded the Competitive Trust with certain monies which have been accumulated in MEAG Power reserves, including certain rate stabilization monies and sums from the debt service reserves which were released following a successful effort to obtain bondholder consent to amend the Project One and General Resolution Projects Resolutions. Surety bonds are substituted for the debt service reserves to preserve the security of the bond holders, thus allowing the accumulated debt service reserves to be transferred to the Competitive Trust. Funds in the Competitive Trust will be invested and reinvested, and will be available to reduce future power supply costs of the Participants to meet retail competition.

NOTE C - DEPOSITS AND INVESTMENTS: (Cont'd)

Discretionary funds from the Participants were deposited in the Flexible Trust Account, which is part of the Municipal Competitive Trust established by MEAG and represents an involuntary participation external investment pool that is not registered with the S.E.C. as an investment company. The City of Mansfield, Georgia, has recorded the investments in the Flexible Trust Account as investments in the Utilities fund at fair market value, which was $877,366 at the balance sheet date. Fair market value is determined based on the fair value of the underlying portfolio calculated daily with earnings distributed monthly. The fair value of the position in the external investment pool is the same as the value of the pool shares. The Municipal Competitive Trust permits the investment of funds in direct obligations of the United States Government, certain government agencies if guaranteed by the United States Government, direct and general obligations of states, certain Federal Agency discount notes and repurchase agreements collateralized by securities which would otherwise by permissible under the laws of the State of Georgia.

Under the above parameters, investments are made in mortgage and derivative securities. These securities principally include agency-issued mortgages, collateralized mortgage obligations, principal-only strips and interest only securities that are required to repay 100% of their principal investment at maturity. The yield on derivative securities is based on cash flows received as determined by a specified formula or index, and/or cash flows from principal repayments on underlying mortgages. Therefore, the rate of return and market value of these securities may be sensitive to changes in their respective index or formula and/or in prepayment on mortgages, which may result from changing interest rates. At December 31, 2014, the average remaining terms of the investments in collateralized mortgage obligations is approximately five years.

MEAG Power and therefore the City of Mansfield, Georgia, to the extent of its portion of the Flexible Trust Account is exposed to credit and market risk relating to its investments. Credit risk arises when an entity is unable to recover its investments either by an inability to withdraw the funds through nonperformance of a counterparty or an inability to recover collateral. Market risk could affect the investments adversely when either the value of items purchased or the value of underlying collateral securities declines. As of December 31, 2014, MEAG Power and the city of Mansfield, Georgia, were not exposed to any known economic losses due to these risks.

Derivative Financial Instruments – Derivative financial instruments are used primarily in the management of interest rate exposure and include interest rate swap transaction. Derivative financial instruments are not held or issued for trading purposes. The counterparties to derivative transactions are major financial institutions with either high investment grade credit ratings or agreements to collateralize their net position.

Swap transactions are accrued to interest expense for the difference between the agreed upon fixed and floating rates. Options are recorded at fair value based on the estimated amount that would be received or paid to terminate the options and the reporting dated based on broker quotes. Options are revalued and marked to market.

MEAG Power and the City's portion of the Flexible Trust Account will be exposed to less variable rate exposure if the counterparty to the swap transaction defaults or if the swap is terminated. Any termination of the swap agreements may also result in MEAG Power through the appropriate trust account making or receiving a settlement payment.

NOTE D - CAPITAL ASSETS:

A summary of changes in capital assets are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	$ 20,000	$ -	$ -	$ 20,000
Total Capital Assets, not being depreciated	20,000	-	-	20,000
Capital Assets, being depreciated:				
Infrastructure	24,127	27,175	-	51,302
Buildings	244,241	5,022	-	249,263
Vehicles	42,306	-	-	42,306
Equipment	93,310	6,295	-	99,605
Total Capital Assets, being depreciated	403,984	38,492	-	442,476
Less accumulated depreciation for:				
Infrastructure	1,187	634	-	1,821
Buildings	150,617	5,498	-	156,115
Vehicles	42,306	210	-	42,516
Equipment	78,430	4,297	-	82,727
Total accumulated depreciation	272,540	10,639	-	283,179
Total Capital Assets, being depreciated, net	131,444	27,853	-	159,297
Governmental activities Capital Assets, net	$ 151,444	$ 27,853	$ -	$ 179,297

Depreciation expense for governmental activities was charged to functions as follows:

General government	$ 8,433
Public safety	312
Public works	1,894
Total governmental activities depreciation expense	$ 10,639

NOTE D - CAPITAL ASSETS: (Cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Electric Fund:				
Capital Assets, not being depreciated:				
Land	$ 30,000	$ -	$ -	$ 30,000
Total Capital Assets, not being depreciated	30,000	-	-	30,000
Capital Assets, being depreciated:				
Infrastructure	725,543	-	-	725,543
Buildings	107,353	-	-	107,353
Vehicles	100,159	-	-	100,159
Total Capital Assets, being depreciated	933,055	-	-	933,055
Less accumulated depreciation for:				
Infrastructure	180,469	14,510	-	194,979
Buildings	27,286	2,684	-	29,970
Vehicles	89,790	3,580	-	93,370
Total accumulated depreciation	297,545	20,774	-	318,319
Total Capital Assets, being depreciated, net	635,510	(20,774)	-	614,736
Electric Capital Assets, net	$ 665,510	$ (20,774)	$ -	$ 644,736
Water and Sewer Fund:				
Capital Assets, not being depreciated:				
Land	$ 124,592	$ -	$ -	$ 124,592
Total Capital Assets, not being depreciated	124,592	-	-	124,592
Capital Assets, being depreciated:				
Infrastructure	4,165,238	73,060	-	4,238,298
Equipment	13,640	-	-	13,640
Total Capital Assets, being depreciated	4,178,878	73,060	-	4,251,938
Less accumulated depreciation for:				
Infrastructure	1,541,476	85,311	-	1,626,787
Equipment	8,305	2,566	-	10,871
Total accumulated depreciation	1,549,781	87,877	-	1,637,658
Total Capital Assets, being depreciated, net	2,629,097	(14,817)	-	2,614,280
Water and Sewer Capital Assets, net	$ 2,753,689	$ (14,817)	$ -	$ 2,738,872
Total Business-type Capital Assets, net	$ 3,419,199	$ (35,591)	$ -	$ 3,383,608

NOTE E - INTERFUND BALANCES AND ACTIVITY:

Interfund balances:

	Due to:				
Due from:	Non-major Gov't funds	General Fund	Electric Fund	Water and Sewer Fund	Total
Governmental activities:					
General fund	$ (20,400)	$ -	$ 556,361	$ -	$ 535,961
					-
Business-type activities:					-
Electric fund	-	-	-	39,341	39,341
Water and sewer fund	-	103,027	-	-	103,027
	$ (20,400)	$ 103,027	$ 556,361	$ 39,341	$ 678,329

General fund is holding the Confiscated Assets money until a need arises. There is currently no police service being offered. It is not expected that this balance will be repaid within one year. The General Fund makes all of the original payroll payments. The Electric and Water Funds then reimburse the General Fund for each funds respective share of the payroll costs. The interfund balances between the Electric and Water Funds and the General Fund represent such repayments that were not made by December 31.

The due from the General Fund to the SPLOST Fund is due to a SPLOST receipt being deposited into the General Fund.

NOTE F - CLAIMS, JUDGEMENTS AND OTHER COMMITMENTS:

Litigation: Based on the advice of the City attorney, management believes that any Unasserted claims against the City are either immaterial or without merit.

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance.

The City participates in the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, an in accordance with any coverage loss. The City is also to allow the pool's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the fund.

The funds are to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded coverages.

NOTE F - CLAIMS, JUDGEMENTS AND OTHER COMMITMENTS: (Cont'd)

Commitments: Municipal Electric Authority of Georgia – The City of Mansfield, Georgia is one of 47 participants who have entered into Power Sales Contracts with the Municipal Electrical Authority of Georgia (MEAG). Under these contracts, the Authority has agreed to provide to the participants, and the participants have agreed to take from the Authority, such output and services from the various projects of the Authority as may be available for the useful life thereof. The participants are required to make payments therefore according to rates and charges established by the Authority to produce revenues sufficient to pay the Authority's cost attributable to such projects. In general, the Power Sales Contracts provide that if, at any time, (i) a project is terminated prior to completion, or (ii) a project is declared by the Authority to be totally and permanently retired from service, or (iii) a project is totally, but no permanently, out of service and the Authority is unable to provide service from alternative sources, then each participant will remain liable to pay a fixed percentage referred to as an "obligation share" of the Authority's costs attributable to such projects. In case of default by a participant under its Contracts relating to any of the various projects such participant would remain liable to pay the greater of its obligation share of the Authority's costs attributable to such project of the amount determined to be due under the rates and charges established by the Authority.

Payments under the Power Sales Contracts are not subject to reduction whether by offset or otherwise, and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever. Each Power Sales Contract will continue in full force and effect at least until such time, not to exceed 50 years, as all bonds issued for the purpose of financing the costs of acquisition and construction of the applicable project, and notes issued for such purpose in anticipation of the bonds, have been paid or provision has been made for their payment.

NOTE G - LONG-TERM OBLIGATIONS:

Governmental Activities

Long-term obligations for governmental activities consist of compensated absences that will not be paid during the subsequent fiscal year. The compensated absences are expected to be retired using monies held in the general fund.

Business-type Activities

Bonds Payable

In 1988, the City issued $453,000 Water and Sewer Revenue Bonds, Series A and B for the purpose of system improvements. The bonds bear interest at a rate of 5% and are payable in annual installments with the final payment due in 2027.

NOTE G - LONG-TERM OBLIGATIONS: (Cont'd)

Debt Service Requirements

Debt service requirements on long-term debt at December 31, 2014 are as follows:

Year ending December 31,	Series A		Series B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 10,000	$ 8,749	$ 4,500	$ 4,050	$ 14,500	$ 12,799
2016	10,000	8,050	5,000	3,825	15,000	11,875
2017	11,000	7,550	5,000	3,575	16,000	11,125
2018	11,000	7,000	5,500	3,325	16,500	10,325
2019	11,000	6,450	5,500	3,050	16,500	9,500
2020-2024	67,000	23,150	32,500	10,775	99,500	33,925
2025-2027	51,000	5,200	23,000	2,325	74,000	7,525
	$ 171,000	$ 66,149	$ 81,000	$ 30,925	$ 252,000	$ 97,074

The City incurred interest costs of $13,275, all of which was recorded as a current period cost.

Long-term Obligation Activity

Changes in long-term obligations for the year ended December 31, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Series A	$ 180,000	$ -	$ 9,000	$ 171,000	$ 10,000
Series B	85,500	-	4,500	81,000	4,500
	$ 265,500	$ -	$ 13,500	$ 252,000	$ 14,500

NOTE H - FUND BALANCE – GOVERNMENTAL FUNDS:

The City adopted early implantation of GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions in an effort to improve the consistency in reporting fund balance components, enhance fund balance presentation, improve the usefulness of fund balance information, and clarify the definitions of the governmental fund types. As a result of the implementation, the governmental funds now report the following five categories of fund balance: Non-spendable, Restricted, Committed, Assigned and Unassigned.

As of December 31, 2014, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

NOTE H - FUND BALANCE – GOVERNMENTAL FUNDS: (Cont'd)

Committed – amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council. At year end, the city did not have any Committed fund balance amounts.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. At year end, the City did not have any Assigned fund balance amounts.

Unassigned – all other spendable amounts.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is effective for financial statements for periods beginning after December 15, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government. This statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position. This City implemented GASB 63 during FY2012. This statement had no significant impact on the City.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assigned actions.

NOTE I - JOINT VENTURES:

Northeast Georgia Regional Commission: The City of Mansfield, Georgia, in conjunction with cities and counties in the 12 county Northeast Georgia area, is a member of the Northeast Georgia Regional Commission (RC). Membership in an RC is automatic for each municipality and county in the state. The Official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC Board membership includes the Chief elected official (or a designated government official) of each county, the chief elected official (or a designated government official) of each municipality, one elected or appointed municipal government official from each county (or a designee of the municipalities of the county), not less than 10 nor more than 20 nonpublic members, and shall include a minority representation, the percentage of which is at least equal to the minority population of the geographic region served by the Board. Financial statements can be obtained from the Northeast Georgia Regional Commission, 305 Research Drive, Athens, GA 30605.

The Georgia Planning Act of 1989 (OCGA 50-8-34) defines RCs as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (OCGA 50-8-39.1)

NOTE J - MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (MEAG) TRUST:

On May 3, 1999, the City approved a resolution adopting the provisions of the Municipal Competitive Trust (the "Trust").

The Trust was created by MEAG in anticipation of future deregulation of the electric industry, which will provide customers with a choice among electric suppliers for their retail electric power supply. This is expected to include customers assigned to electric systems of political subdivisions, which are wholesale power customers of MEAG, such as the City of Mansfield. MEAG expects that after such legislation is effective, market rates for power will result which will likely be lower for some period of time than the costs of power generated by MEAG facilities. The purpose of the Trust is to provide a means for MEAG and its wholesale customers who elect to become beneficiaries of the Trust to deposit funds to be invested at the best prudent rates of return and be applied, in accordance with the provisions of the Trust, to mitigate the change to full competition as a result of anticipated deregulation.

The Trust creates an account for the City of Mansfield, and within the account creates the following three subaccounts in which the City of Mansfield participates:

1. Flexible Operating Trust Account – This type of subaccount may be funded from contributions by the City, from the City's Discretionary Reserve Fund with MEAG, or from other available funds.

According to Trust provisions, the City has the following withdrawal rights with respect to this fund: The City has, at any time, the right to withdraw part or all funds from the Flexible Operating Trust Account.

The City also has the right to borrow, if certain conditions are met, part or all of the funds in the Credit Support Operating Trust Account for the purpose of paying the cost of a capital expenditure, provided that the City executes and delivers to the Trustee a promissory note and such other documents reasonably satisfactory to MEAG in which the City agrees to repay the withdrawn amount to the Trustee.

The balance of the account on December 31, 2014, is $877,366 and is reported as an asset in the Electric Fund.

2. Credit Support Operating Trust Account – This type of subaccount may be funded from the funds allocated to the City's account in MEAG's Rate Stabilization Reserve Fund or the City's Discretionary Reserve with MEAG, or from any other available funds. The City has the right to borrow, if certain conditions are met, part or all of the funds in the Credit Support Operating Trust Account for the purpose of paying the cost of a capital expenditure, provided that the City executes and delivers to the Trustee a promissory note and such other documents reasonably satisfactory to MEAG in which the City agrees to repay the withdrawn amount to the Trustee.

The balance of the account on December 31, 2014, is $545.

3. Reserve Fund Debt Trust – This type of subaccount may be funded from contributions by MEAG form contributors by MEAG form any funds it has available for such purposes.

The balance of the account on December 31, 2014, is $83,556.

NOTE J - MUNICIPAL ELECTRIC AUTHORITY OF GEORGIA (MEAG) TRUST: (Cont'd)

According to the original Trust provisions, the City had no right to withdraw amounts from the Reserve Funded Debt Trust Account unless MEAG consented in writing thereto, and in the event MEAG should consent to a withdrawal, the withdrawn funds must be applied to the outstanding balance of the City's current monthly billing on account of its entitlement or obligation share(s) under its Power Sales Contract(s) of MEAG's Annual Project Generation Fixed Charges. Prior to the anticipated actual deregulation date, the City shall have the right to cause the Trustee to use funds from the Credit Support Operating Trust Account to reduce, or as credit against, its monthly billings (i) to mitigate wholesale rate increases which have an impact of greater than 20$ on the City's wholesale cost in any year (ii) to mitigate the adverse impact of any wholesale cost increase which results from the phase-out of special rates in any year, and (iii) to mitigate the impact of wholesale costs which exceed the system average wholesale cost by more than 20% in any year, all as set forth in a certificate of the City and MEAG.

Amendments were passed as of January 1, 2009, that allowed subsequent limited access to the Credit Support and Reserve Funded accounts.

NOTE K - PENSION PLAN:

The City sponsors a Section 457 retirement plan. This plan allows the City employees to save money for retirement on a pre-tax basis. The plan calls for no contribution by the City on behalf of employees. The City adopted this plan and can make changes to it at any time. There were no employee contributions to the Section 457 plan in the current year.

Other than the above mentioned pension plan, the City does not participate in Other Post-Employment Benefits.

NOTE L - PRIOR YEAR ADJUSTMENTS:

At December 31, 2014, there were no prior year adjustments.

NOTE M - SUBSEQUENT EVENTS:

There were no material subsequent events which require disclosure at December 31, 2014.

CITY OF MANSFIELD, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Confiscated Assets Fund	SPLOST	Total
Assets			
Cash and cash equivalents	$ -	$ 145,859	$ 145,859
Intergovernmental receivables	-	91,419	91,419
Internal balances	16,384	4,016	20,400
Total Assets	$ 16,384	$ 241,294	$ 257,678
Liabilities and Fund Balances			
Fund balances:			
Restricted for:			
Roads and bridges	$ -	$ 241,294	$ 241,294
Law enforcement	16,384	-	16,384
Total Fund Balances	16,384	241,294	257,678
Total Liabilities and Fund Balances	$ 16,384	$ 241,294	$ 257,678

CITY OF MANSFIELD, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Confiscated Assets Fund	SPLOST	Total
Revenues			
Intergovernmental	$ -	$ 43,122	$ 43,122
Total Revenues	-	43,122	43,122
Expenditures			
Total Expenditures	-	37,097	37,097
Net change in fund balances	-	6,025	6,025
Fund balance - beginning of year	16,384	235,269	251,653
Fund balance - end of year	$ 16,384	$ 241,294	$ 257,678

CITY OF MANSFIELD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SPLOST CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Prior Years	Current Year	Total
Revenues				
Intergovernmental	$ 378,014	$ 110,800	$ 43,122	$ 153,922
Total Revenues	378,014	110,800	43,122	153,922
Expenditures				
Capital outlay:				
Public works	378,014	8,264	37,097	45,361
Total Expenditures	378,014	8,264	37,097	45,361
Net change in fund balances	$ -	$ 102,536	6,025	$ 108,561
Fund balance - beginning of year			235,269	
Fund balance - end of year			$ 241,294	

CITY OF MANSFIELD, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CONFISCATED ASSETS FUND - SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Prior Years	Current Year	Total
Revenues	$ -	$ -	$ -	$ -
Expenditures	-	-	-	-
Net change in fund balances	$ -	$ -	-	$ -
Fund balance - beginning of year			16,384	
Fund balance - end of year			$ 16,384	

RECTOR & LOFTON REEDER & PC

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

To the Honorable Mayor and Members of City Council
City of Mansfield, Georgia

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City of Mansfileld, Georgia, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Mansfileld, Georgia's basic financial statements, and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given this limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies; 2014-001 and 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mansfileld, Georgia'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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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City of Mansfield, Georgia's Response to Findings

The City of Mansfield, Georgia's response to the finding identified in our audit is described in the accompanying schedule of audit findings. The City of Mansfield, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rector, Reeder & Lofton, P.C.

Rector, Reeder & Lofton, PC
Certified Public Accountants

Lawrenceville, Georgia
December 21, 2015

City of Mansfield, Georgia
Mansfield, Georgia

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended December 31, 2013, contained the following formal audit findings:

Finding 2006-001 – Internal Controls Deficiency – Financial Reporting.

Condition: Due to the limited size and budget of the City, it does not employ a person that is capable of preparing the City's financial statements. Though the City does not have personnel that are capable of preparing the financial statements, it does have the personnel to review the financial statements and accept responsibility for them.

Current Status: ***This finding continues.***

Finding 2013-001 – Fragmentation of Software

Condition: The financial statements that The City gave to the auditor were made up from two different accounting software systems. The City used two systems due to the original system incapability of being easily reconciled; the new system allowed the accounting personnel to provide financial statements to the council in a timelier manner. Due to the usage of two systems, it was necessary to make a high number of adjusting journal entries in order to get all of the information into one trial balance.

Current Status: The City has now consolidated their books and records into one computer software program. Consequently, ***this finding is cleared.*** However, as a result of the combination of funds into one accounting system, there is another matter for concern which is restated as finding no. 2014-001.

Finding 2013-002 – Internal Controls Deficiency – Filing of Quarterly Payroll Returns and Payments

Condition: The City did not file all the quarterly payroll returns or make the required payments during the year.

Status: Quarterly payroll tax returns are now being filed on a consistent basis, and the payroll taxes are now being properly paid. Consequently, ***this finding is cleared.***

Finding 2013-003 – Internal Controls Deficiency – Filing of Monthly Sales Tax Returns and Payments

Condition: The City did not file all of the monthly sales tax returns or make the required payments during the year.

Status: Monthly sales tax returns are now being filed on a consistent basis, and the sales tax are now being properly paid. Consequently, ***this finding is cleared.***

Finding 2013-004 – Internal Controls Deficiency – Lack of Timeliness of Audit Filing

Condition: The City did not submit their audit report in a timely manner. The City was awarded a six-month extension on their submission date; they were still unable to make that date.

Status: The current audit report for the period ended December 31, 2014 is being submitted within the extension due date of December 31, 2015. Consequently, ***this finding is cleared.*** Moving forward all required audit reports will be submitted within the 180 day deadline of the State of Georgia.

STATUS OF PRIOR AUDIT FINDINGS
(Continued)

Finding 2013-005 – Cash Reconciliation Deficiency

Condition: The City was unable to provide an accurate reconciliation for the cash associated with the Electric Fund.

Status: All bank accounts are now being reconciled on a consistent monthly basis and consequently, ***this finding is considered cleared.***

City of Mansfield, Georgia
Mansfield, Georgia

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding 2014-001 Accounting for Capital Assets – Inventory and Depreciation
Significant Deficiency – Equipment and Real Property Management

Criteria:
Good internal control practices as provided in the Government Auditing Standards along with the common rule in Federal regulations require that the Capital Assets be supported with detailed capital asset records, and that these be supported by an inventory conducted at least every two years. The results of the inventory should be compared with the capital asset records to give assurance that the books and records of account are adequately supported. Adequate controls should be put in place which result in the depreciation schedule being maintained in sufficient manner that the costs be in agreement and reconciled back to the general ledger control accounts.

Condition, cause & context:
A review of the prior year accounting records revealed that typically the computation of the depreciation schedule was performed in conjunction with the preparation of the financial statements by the accounting firm performing the audit. Additionally we saw no evidence of an annual or biannual inventory of equipment or capital assets.

Recommendation:
We recommend that the City perform an inventory of all capital assets at least every other year and compare these results with the books and records of account. We further recommend that the City properly maintain and update the annual depreciation schedule for capital assets in each applicable fund.

Corrective Action Plan:
The City will adopt a policy and procedure to perform an inventory of all capital assets every two years.

Contact Person:
The City Administrator currently Jeana Hyde

Anticipated Completion Date:
End of Second Quarter 2016

Finding 2014-002 – Financial Management Procedures & Controls
Significant Deficiency

Criteria: Good Internal Control policies and procedures and State and Federal regulations require that all records of account should be reviewed and maintained on a regular basis for all programs. In addition the City personnel should be adequately trained in order to determine whether the existing financial statements either internally generated or issued by the management company are accurate and reliable. Also, the GASB's first accounting and financial reporting principle (*GASB Codification, Sec. 1100.101*) states: *A governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.* Further, *GASB Codification, Sec. 1100.102* formally defines a 'fund' as: *A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.*

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Finding 2014-002 – Financial Management Procedures & Controls (Cont'd)
Significant Deficiency

Condition & cause: The books and records of account are not maintained in a systematic manner which allows for efficient issuance of monthly and annual financial data in accordance with general accepted accounting principles and governmental accounting standards. Also, the financial books and accounts of the City are maintained in a manner such that all transaction activity is recorded in a single ledger, requiring substantial reconstruction and adjustment to fairly and accurately present the balances and activities of the various fund-types in accordance with generally accepted accounting principles and to determine and demonstrate compliance with finance-related legal and contractual provisions. Additionally, upon examination of the books and records of account the balances used in the software system did not agree with the audit report issued for the year ended December 31, 2013. The City had failed to record the prior audit adjustments and consequently misrepresented the current balances in the books and records of account. Failure to adequately segregate the financial balances and transactions of various fund-types led to a need for the auditor to reconstruct the activity for the City's funds and to propose numerous adjusting entries to accurately present the results for each fund.

Recommendation: We recommend that the City establish separate financial ledgers for each of the distinct fund-types, and track all balances and transactions in such a way as to provide a clear and reviewable audit trail for each fund. Taking this action should serve to speed up year-end closing and audit procedures, as there should be less need for reconstruction and adjustment of the City's financial books and records to properly present the various funds. We also recommend that the City contract with a financial consultant who is proficient in governmental accounting requirements of municipalities. This consultant should be used in issuing year-end financial statements rather than relying on the audit firm's experience in this regard.

Corrective Action Plan:
The City has established separate Funds for General, Electric, Water/Sewer & Garbage for 2015. The SPLOST account is currently being maintained in the General Fund but will be separated into its own fund as well.

Contact Person:
The City Administrator currently Jeana Hyde

Anticipated Completion Date:
End of First Quarter 2016