COBB COUNTY-MARIETTA WATER AUTHORITY
MARIETTA, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

1170 Atlanta Industrial Drive, Marietta, GA 30066 770-514-5300, 770-514-5225 Fax

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FOR THE YEAR ENDED DECEMBER 31, 2018

Prepared by:
Finance Division

Allison Clements
Director of Finance

1170 Atlanta Industrial Drive, Marietta, GA 30066 770-514-5300, 770-514-5225 (Fax)

INTRODUCTORY SECTION

COBB COUNTY-MARIETTA WATER AUTHORITY

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April 3, 2019

Cobb County-Marietta Water Authority Board
Customers and Stakeholders
Marietta, Georgia

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Cobb County-Marietta Water Authority (CCMWA) for the fiscal and calendar year ended December 31, 2018. This report is the responsibility of CCMWA's management and has been prepared in accordance with Generally Accepted Accounting Principles (GAAP), and in conformance with current accounting and financial reporting requirements and principles promulgated by the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, the enclosed financial data is accurate in all material respects and represents the financial position, results of operations, and cash flows of CCMWA for the period then ended. All disclosures for the reader to gain an understanding of CCMWA's financial activities have been included.

CCMWA's management believes it has established internal controls that adequately protect assets and provide reasonable assurance of proper recording of financial transactions and presentation of financial reports and accompanying information. No matter how well-designed and -operated, internal controls cannot guarantee that an entity's objectives will be met because of inherent limitations in all internal control systems. However, management maintains a commitment to developing, implementing and monitoring internal controls to ensure accurate, responsible, and transparent financial management.

Mauldin and Jenkins, LLC, Certified Public Accountants, conducted an independent audit of these financial statements in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. As a result of their audit procedures, Mauldin and Jenkins has issued an unmodified opinion on the financial statements of CCMWA for the fiscal year ended December 31, 2018. The auditor's report is located in the front of the Financial Section of this report.

In accordance with GAAP, a narrative introduction, overview and analysis accompany the basic financial statements, in the form of Management's Discussion and Analysis (MD&A). The MD&A is located immediately following the independent auditor's report.

Organization of the Comprehensive Annual Financial Report

This Comprehensive Annual Financial Report may be read by a wide variety of people. Therefore, useful information has been provided, even to those who may not be familiar with CCMWA. Toward that end, this report is presented in the three major sections: Introductory, Financial and Statistical.

The introductory section is meant to familiarize the reader with CCMWA's organizational structure, as well as the nature and scope of services provided. This transmittal letter, a list of CCMWA board members and an organizational chart comprise the introductory section.

The financial section includes the independent auditor's report on the basic financial statements, management's discussion and analysis of CCMWA's financial position and results of operations, and the audited financial statements, including accompanying note disclosures and required supplementary information.

The statistical section includes information regarding CCMWA's economic condition and environment, and is divided into five sections: financial trends, revenue capacity, debt capacity, demographic and economic information, and other operating information.

Profile of Cobb County-Marietta Water Authority

General

The Cobb County-Marietta Water Authority was created in 1951 by an act of the General Assembly of the State of Georgia and is a political subdivision of the state. CCMWA is unique because it has one primary mission: to supply drinking water to its wholesale customers. CCMWA's service area includes customers in Cobb County, Cherokee County, Douglas County, Fulton County and Paulding County. All of CCMWA's customers are governmental water purveyors with the exception of Lockheed Martin Corporation, which shares its location with the Dobbins Air Force Base complex in Marietta.

CCMWA has award-winning water treatment and testing facilities, which include the James E. Quarles Water Treatment Plant (WTP), the Hugh A. Wyckoff WTP and the Calvin F. Simmons Microbiological Laboratory. Each facility is staffed with certified professionals, and the treatment facilities operate 24 hours a day, seven days a week. The two WTPs, which are supplied water from separate river basins, provide production flexibility and reliability for the CCMWA service area. The laboratory ensures drinking water safety and regulatory compliance, as well as provides data helpful to operators and engineers for current and future treatment needs.

The Quarles WTP was the first CCMWA water treatment plant, with the first phase built in 1952. Since that time, it has undergone many system improvements and expansions to meet the growing community's water needs and is currently permitted to produce 86 million gallons per day. The original water treatment facility built on the Quarles WTP campus was partially demolished during 2017 and is in the process of being fully replaced as part of CCMWA's current 5-year capital improvement program. Source water for the Quarles WTP comes from the Chattahoochee River, which is part of the Apalachicola-Chattahoochee-Flint (ACF) River Basin. The Quarles WTP staff monitor, execute, and manage every aspect of the water treatment process using conventional treatment processes.

Originally built in the early 1960s, the Wyckoff WTP has expanded and enhanced its treatment capabilities over the years and is currently permitted to produce 86 million gallons of water per day. Source water for the Wyckoff WTP comes from Allatoona Lake, a U.S. Army Corps of Engineers impoundment on the Etowah River, which is part of the Alabama-Coosa-Tallapoosa (ACT) River Basin. The team of industry professionals at Wyckoff manage all aspects of the treatment process, including advanced treatment using granular activated carbon, to ensure the highest standards.

CCMWA's Laboratory Division is responsible for testing the water that CCMWA provides to its wholesale customers to ensure that it meets state and federal drinking water standards. Certified Laboratory Analysts test approximately 500 regulatory water samples each month from raw water sources, the two drinking water plants, CCMWA's water transmission pipeline system, and wholesale customers' distribution systems. The Laboratory Division also provides, for a fee, microbiological water testing services to residents who have wells, and for various other purposes. The Microbiological Lab is certified by the State of Georgia. Facilities include a research lab, chemistry lab, microbiology lab, level II microbiology lab, media prep lab and incubator lab.

In addition to water treatment and testing facilities, a transmission pipeline network including over two hundred miles of pipe conveys drinking water to CCMWA's ten wholesale customers. The system includes pipes of diameters ranging from 16 to 64 inches, with most of the pipe at least 36 inches in diameter. To provide additional water supply, CCMWA operates the Hickory Log Creek Reservoir, a pumped storage project located upstream of the Wyckoff WTP in the Etowah River Basin. Hickory Log Creek Reservoir covers approximately 411 acres and impounds about 5.7 billion gallons of water. The reservoir is jointly owned and operated by CCMWA and the City of Canton, with CCMWA owning 75% of the project and the City of Canton owning 25%. The reservoir was constructed with a designed yield of 44 million gallons per day, with 33 million gallons per day being allocated to CCMWA.

Governance

CCMWA is governed by a seven-member board. CCMWA was created as a body corporate and politic which is deemed to be a political subdivision of the State of Georgia and a public corporation. The board of CCMWA is composed of:

- The Chairman of the Cobb County Board of Commissioners
- One member selected by the governing authority of the City of Marietta
- One member selected by the governing authority of the City of Smyrna
- Four members selected by a caucus consisting of all members of the General Assembly whose districts are wholly or partially within Cobb County. The four members selected by the caucus include: one member from Cobb Commission District 1 or 4, excluding residents of Marietta and Smyrna; one member from Cobb Commission District 2 or 3, excluding residents of Marietta and Smyrna; and two members from unincorporated Cobb County.

Accounting and Financial Reporting

CCMWA is operated as a single enterprise fund. CCMWA is accounted for as a separate accounting entity with a separate self-balancing set of accounts. CCMWA utilizes the accrual basis of accounting; revenues are recorded when earned and expenses are recorded when liabilities are incurred. CCMWA's accounting procedures comply with the Governmental Accounting Standards Board and General Accepted Accounting Principles.

Budgetary Controls

CCMWA believes annual budget preparation, adoption, implementation and continual monitoring is essential to fiscal responsibility, accountability and transparency of operations. Accordingly, CCMWA develops and adopts an operating budget annually and updates its 5-year capital improvement budget each year. The purpose of the budget process is to authorize and control expenditures, project revenues, develop pro-forma financial statements, project cash flows, and meet obligations of bond covenants.

Other Relevant Information

General

CCMWA's core purpose is to provide sustainable and reliable drinking water that supports public health, public safety, and economic vitality of the region. Core values inherent at CCMWA include service, stewardship and professionalism. We strive to employ a culture of safety, innovation and transparency. At a minimum, CCMWA staff is expected to act with integrity, inspire trust, and apply the highest levels of technical expertise. We aim to acquire and treat sufficient sources of water for our customers and the communities they serve, while leaving a legacy of sustainable water supplies for generations to come.

Through 2018, both of CCMWA's WTPs maintained full regulatory compliance with state and federal regulations and permit requirements. CCMWA's water transmission system, laboratories and water supply reservoir also remained in full compliance throughout the year. In 2018, both plants received the Georgia Association of Water Professionals (GAWP) Platinum Award, recognizing a minimum of 5 consecutive years of total compliance of water quality, monitoring and reporting requirements; 2018 marked ten consecutive years for the CCMWA WTPs. In addition, the Wyckoff WTP was recognized as the 2018 Best Operated Plant of the Year, Large Surface Plant Category from GAWP, and CCMWA's Transmission Division received the GAWP Water Distribution System of the Year Gold Award.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Cobb County-Marietta Water Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2017. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

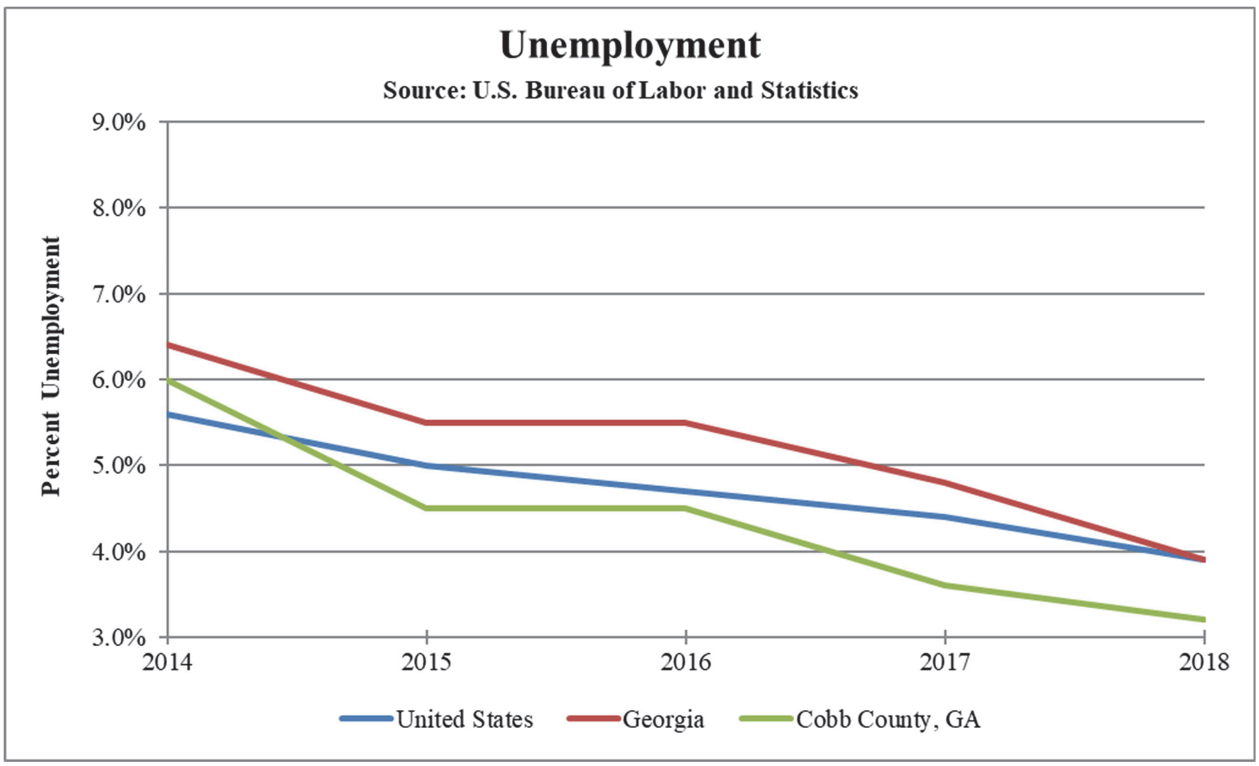
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Current Economic Environment

Growth had been the hallmark of CCMWA's service area for several decades prior to the "Great Recession" that began in December 2007. Since 2007, CCMWA has experienced water sales falling to levels not seen in nearly 20 years. However, CCMWA was in a strong financial position before the recession, and, with the implementation of responsible and strategic rate adjustments, it has maintained a strong financial position despite reduced water sales.

In late 2014, CCMWA was informed by Paulding County, CCMWA's second largest customer, that the county was accelerating its plans to develop its own drinking water reservoir and water treatment plant. Water sales to Paulding County currently make up approximately 14.6 percent of CCMWA's annual revenue, but Paulding is now working to become essentially independent of CCMWA by early 2020. Because of Paulding's announcement, beginning in 2015, CCMWA revised its Capital Improvement Plan to eliminate future capital improvement expenditures intended to solely or primarily benefit Paulding County. By making this change in future capital investments, CCMWA will minimize the effect that the loss of Paulding County as a customer will have on future net income.

CCMWA's service area has experienced modest, but steady growth over the last few years, and has recovered from the recession. Unemployment in Georgia is in line with the national average, but employment in Cobb County, which is CCMWA's primary service area, is significantly lower than the national average, as depicted in the graph below



As previously mentioned, CCMWA has experienced reduced water sales over the last several years. Water conservation efforts and the increasing cost of water has resulted in decreased consumer demand. CCMWA's water sales averaged 81.3 million gallons per day (MGD) for 2018, a slight reduction from water sales of 81.4 MGD in 2017. Management reevaluates long-term water sales forecasts during the annual budgeting process and adjusts the capital improvement program accordingly. Reduced water sales have less financial impact on CCMWA than on utilities with a higher debt ratio, because CCMWA is not highly leveraged. Detailed information on debt held by CCMWA can be found in the Notes to Financial Statements.

CCMWA has been actively engaged in the tri-state dispute between Georgia, Florida, and Alabama over use of water in both the ACT and ACF river basins since 1990, as CCMWA has water treatment plants in each of these basins. CCMWA, the Atlanta Regional Commission, and the State of Georgia entered into a lawsuit with the United States Army Corps of Engineers (USACE) in 2014 over USACE's failure to render a decision on reallocation of storage in Allatoona Lake for the purpose of water supply. CCMWA had requested USACE to reallocate storage in Allatoona Lake for water supply in 1981 but has yet to receive a decision from USACE. In September 2017, the U.S. District Court for the Northern District of Georgia agreed that USACE had unreasonably delayed making a decision regarding reallocation of Allatoona and ordered USACE to complete a reallocation study. The study is now underway and is scheduled to be completed by the end of 2021.

In addition, CCMWA entered into a separate lawsuit against the USACE on February 1, 2017 over CCMWA's right to store water allocated by the State of Georgia in the storage space CCMWA owns in Allatoona Lake. CCMWA has a half-century-old contract with the USACE to use a portion of Allatoona Lake to store water for its customers. CCMWA and its customers have invested hundreds of millions of dollars to increase the amount of water available in CCMWA's storage in Allatoona Lake through returning reclaimed water to Allatoona after it is used, and by releasing water to Allatoona from Hickory Log Creek Reservoir (HLC), a water supply reservoir constructed by CCMWA upstream of Allatoona Lake. The State of Georgia issued a permit allocating the returned wastewater and the HLC releases to CCMWA to store in and withdraw from Allatoona Lake. The Corps is improperly trying to override that permit, claiming that it – and not the State of Georgia – is responsible for allocating water from the reservoir. CCMWA and the USACE are currently negotiating terms of a mediation agreement in an effort to settle the case, and the Court has issued a stay for the negotiation.

Outlook

CCMWA currently has no plans for debt issuance and will fund its capital improvement projects via use of a pay-as-you-go funding plan over the next five-year planning horizon. However, if rates become favorable, refinancing of existing debt may occur. CCMWA has two debt issues outstanding: a revenue bond issued in 2009, and a revenue bond issued in 2015 used to refinance previously issued debt. The 2009 revenue bond will be paid in full in 2021, and the $5.7 million per year reduction in debt service will partially offset the revenue loss when Paulding County is no longer a significant customer of CCMWA.

CCMWA's current capital improvement plan takes into consideration the expectation of continued modest economic growth in its service area in the next five years, along with the loss of most of its sales to Paulding County. Reduced capital spending, particularly on projects previously anticipated to meet a growing need for water in Paulding County, will also offset the revenue loss when Paulding County begins operating their own system.

CCMWA implemented a 5-year rate program beginning in January 2014, which set annual rate increases at 4 percent through 2018. However, due to CCMWA's strong financial position and higher than anticipated net income year-over-year, a revised 5-year rate program was introduced beginning January 2017, which set annual rate increases at 3 percent through 2021. During development of the 2018 budget, this rate program was again revised to a 2 percent annual rate increase through 2020. This rate program is anticipated to accommodate modest increases in the Consumer Price Index and the Construction Cost Index over the period. By utilizing integrated long-term capital improvement planning, correlated rate adjustments, appropriate use of net position and a continued focus on operational efficiency, CCMWA expects a positive financial future.

Long Term Financial Considerations

The largest impact to cash flow, and consequently on revenue needs for CCMWA, is the capital improvement plan. Below is a snapshot of anticipated cash flows through 2023:

Year	**2019**	**2020**	**2021**	**2022**	**2023**
Projected Water Demand (MGD)	80.90	77.17	76.95	76.72	76.5
Anticipated Rate Increase	2.0%	2.0%	2.0%	2.0%	2.0%
Revenues	$ 93.4	$ 88.6	$ 89.5	$ 90.9	$ 92.4
Expenses (Without Depreciation)	30.3	30.8	31.8	32.8	33.9
Net Income	41.2	35.4	34.9	35.0	35.1
Total CIP Spending	69.8	65.0	58.2	42.4	43.8
Ending Cash Balance	$ 191.3	$ 174.9	$ 165.5	$ 177.8	$ 189.1
Targeted Minimum Ending Cash Balance	$ 51.5	$ 49.0	$ 51.2	$ 54.2	$ 56.1

All Dollar Figures are in Millions

It should be noted that if projected water demand is revised downward, there is still enough projected positive cash flow for CCMWA to maintain its targeted minimum ending cash balances through 2023. Furthermore, CCMWA has ample debt capacity—$400 million approved by the Georgia General Assembly—should financial considerations warrant funding of capital improvements with sources other than cash reserves.

Major Initiatives

CCMWA began a multi-year process of replacing its original water treatment plant (Quarles Plant 1) in 2015. The project has a total budget of $80.7 million and the three-year construction schedule began in late 2017. CCMWA will also continue replacing transmission system water mains, defined as Aged Pipe Replacement (APR) projects, during the 2019-2023 timeframe. These projects were identified as part of the Engineering Division's pipe replacement prioritization program and will replace aging pre-stressed concrete cylinder pipe with ductile iron pipe. The first three APR projects have a total budget of $21.9 million and will be completed in the 2019-2020 timeframe. Total Capital Improvement Program spending is estimated at $69.8 million in 2019, with total capital spending for 2019 through 2023 totaling almost $280 million.

CCMWA continues to pursue allocation of additional water resources via storage reallocation in Allatoona Lake from USACE. CCMWA is also litigating to secure water supply from the Hickory Log Creek Reservoir through a change in USACE's accounting methodology for Allatoona. Water released from Hickory Log Creek reservoir flows downstream in the Etowah River to Allatoona. Currently, USACE does not recognize those releases as being available for water supply by CCMWA, although the State of Georgia has allocated CCMWA this water through a modified withdrawal permit issued in 2014. If USACE continues to not recognize releases from Hickory Log Creek Reservoir as water supply for CCMWA, it is possible that CCMWA will be required to construct a pipeline from Hickory Log Creek Reservoir to the Wyckoff WTP at a cost expected to exceed $200 million. If such a pipeline is constructed, CCMWA anticipates funding of the project through future debt issuance. The pipeline is not currently in CCMWA's capital improvement plan, as CCMWA expects USACE will eventually recognize releases from Hickory Log Creek Reservoir as belonging to CCMWA, according to the State's allocation.

A significant challenge to CCMWA's ongoing success is that approximately one-third of its workforce is currently eligible for retirement. To address this challenge, through the Workforce Development Initiative outlined in the 2016 Strategic Plan, a program of succession planning, leadership and management training, individual development plans, and updating and alignment of all Standard Operating Procedures was implemented in 2017 and will be ongoing into the future.

The Cobb County-Marietta Water Authority has a proud history and a bright future. We are fortunate that our predecessors took the long view from the very creation of the Authority. They laid a strong foundation for CCMWA to meet the region's long-term water needs, and we continue to strive to provide a sustainable system of water resources, treatment facilities and transmission lines for today and tomorrow.

While the future is bright, it will not be without challenges that will require change. Battles over water rights will continue for the foreseeable future. Threats to water quality – both natural and manmade – are real and deserve our attention to mitigate and control. Variability in weather patterns, including drought, and uncertainty about future water demands from our customers add to the mix. One of our greatest challenges will be to ensure that the depth of knowledge and commitment within our workforce can be sustained as we face a wave of retirements in the near future.

Acknowledgments

We express our thanks to each division of CCMWA, all of whom have adhered to sound stewardship and financial practices, contributing significantly toward the fiscal stability of CCMWA. Thanks must also be expressed to the CCMWA Board, who diligently considers each decision brought before it and keeps the best interest of both CCMWA and its customers in mind. Responsible and sound direction of the Board has been, and will continue to be, the single most important attribute of CCMWA's financial stability.

Respectfully Submitted,

Glenn M. Page, P.E. General Manager	Allison C. Clements Director of Finance

CCMWA Board

Seven members make up CCMWA's Board. Members are selected by virtue of their office or by appointment.

By Virtue of their Office:

- Chairman of the Cobb County Commission

Appointed by the Governing Authority of the:

- City of Marietta
- City of Smyrna

Appointed by the Cobb County Delegation to the Georgia General Assembly:

- One member from Cobb County Commission District 2 or 3, excluding residents of Marietta and Smyrna
- One member from Cobb County Commission District 1 or 4, excluding residents of Marietta and Smyrna
- Two members from unincorporated Cobb County

James Scott
Chairman

T. Daniel Buyers
Vice Chairman

Charlie N. Crowder
Secretary

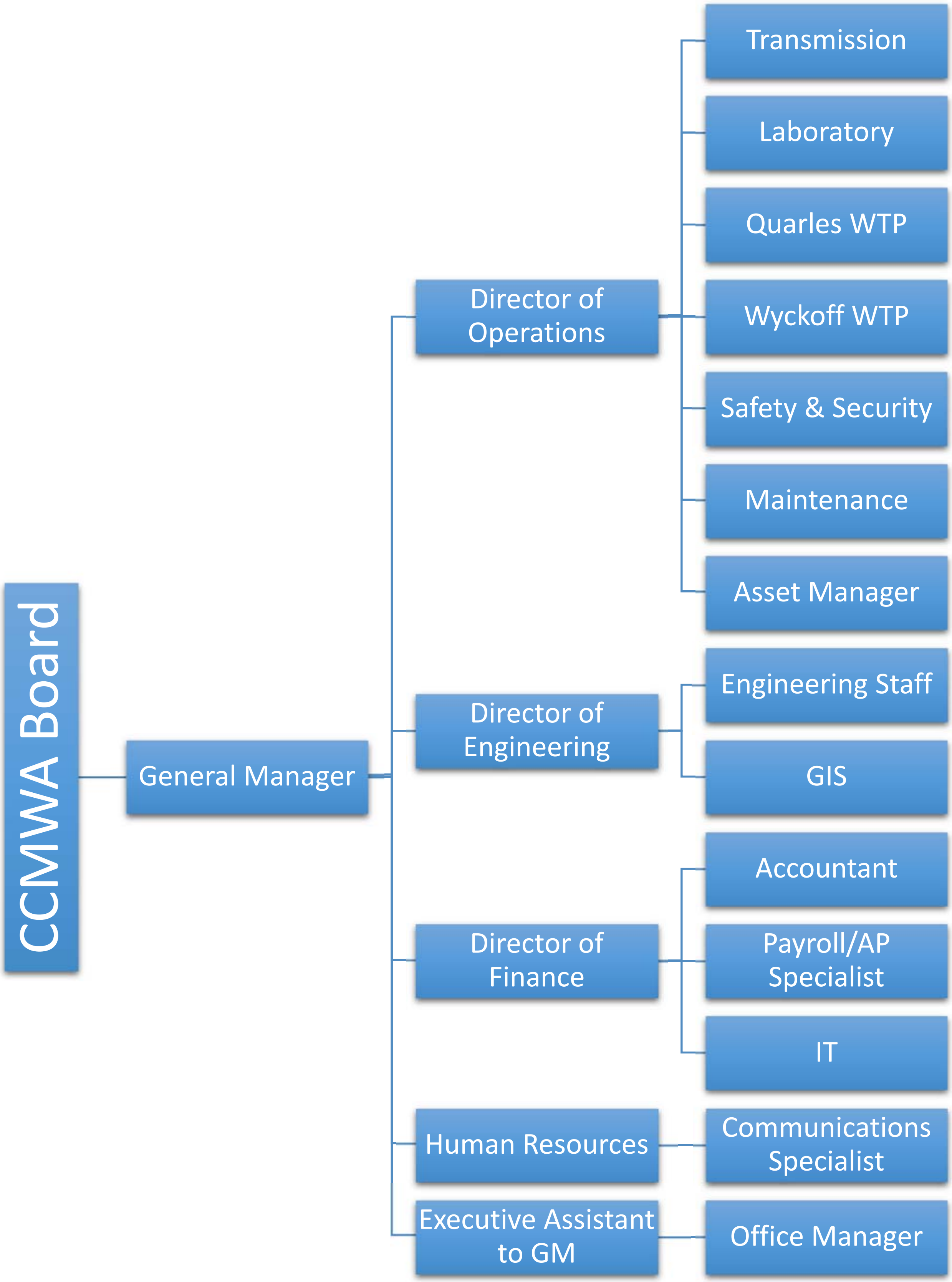
A. Max Bacon
Member

James Balli
Member

Mike H. Boyce
Member

Griffin L. Chalfant
Member

Our core purpose is to provide sustainable and reliable drinking water that supports public health, public safety and economic vitality of the region.


CCMWA Board
General Manager
Director of Operations
Transmission
Laboratory
Quarles WTP
Wyckoff WTP
Safety & Security
Maintenance
Asset Manager
Director of Engineering
Engineering Staff
GIS
Director of Finance
Accountant
Payroll/AP Specialist
IT
Human Resources
Communications Specialist
Executive Assistant to GM
Office Manager

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cobb County-Marietta Water Authority, Georgia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Cobb County-Marietta Water Authority
Marietta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the **Cobb County-Marietta Water Authority** (the "Authority"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority'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 *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 from 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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cobb County-Marietta Water Authority as of December 31, 2018, and the changes in its financial position and its cash flows for the year 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 Management's Discussion and Analysis (on pages 4 through 13), the Schedule of Changes in the Authority's Net Pension Liability and Related Ratios (on page 35), and Schedule of Authority Contributions (on page 36), as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and the statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, 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 April 3, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 3, 2019

Overview of the Financial Report

Our discussion and analysis of the Cobb County-Marietta Water Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2018. Readers should review it in conjunction with the Authority's audited Financial Report to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights are as follows:

- Operating revenue increased 4.5% from $86.6 million in 2017 to $90.5 million in 2018, an increase of $3.9 million. Gallons sold increased by only 0.7% from 29.6 billion gallons sold in 2017 to 29.8 billion gallons sold in 2018.
- Operating expenses increased 6.1% from $46.1 million in 2017 to $48.9 million in 2018, an increase of $2.8 million.
- Operating income for 2018 was $41.5 million, compared to $40.5 million in 2017, representing an increase of $1 million or 2.5%.
- Interest income increased 64.7% from $1.7 million in 2017 to $2.8 million in 2018, an increase of $1.1 million due to rising interest rates.
- Revenue bond debt decreased from $69.7 million in 2017 to $63 million in 2018, representing a decrease of $6.7 million due to the scheduled repayment of principal.
- CCMWA's Series 2015 bond issue was assigned AAA bond ratings from Standard and Poor's and Fitch. Moody's assigned a bond rating of Aaa to CCMWA's Series 2015 bond issue. CCMWA's AAA bond rating was reaffirmed by Fitch in 2017.
- CCMWA's pension fund net investment return was -4.1% for 2018, which did not meet the actuarially presumed net investment return of 7.25%. As a result, CCMWA's pension fund had a $2.1 million net pension liability at December 31, 2018 compared to a $1.5 million net pension asset at the end of 2017.
- Total net position increased from $592.1 million in 2017 to $635 million in 2018, an increase of 7.2% or $42.9 million.
- At December 31, 2018, the Authority reported an unrestricted net position of $209.3 million, compared to $181.5 million in 2017, which is an increase of $27.8 million over the prior year.

Authority Highlights

Highlights for 2018

Construction in Progress:

Projects awarded for design in 2018:
- West Side Loop, Section 2, 36-inch Water Main – Aged Pipe Replacement
- Pete Shaw Tank No. 2

Projects awarded for construction in 2018:
- Wyckoff 42-Inch Finished Water Main – Aged Pipe Replacement
- Mableton Parkway 36-Inch Water Main – Aged Pipe Replacement
- Highway 41 Parallel 20-Inch Water Main – Aged Pipe Replacement

Projects completed in 2018:
- West Side Loop, Section 1, 48-inch Water Main (*substantially complete*)

Other Items:

\- Cobb County-Marietta Water Authority's average daily demand decreased less than 1% from 81.5 million gallons per day (MGD) in 2017 to 81.3 MGD in 2018, due primarily to weather conditions. Rainfall increased 24.9% in CCMWA's service area during 2018 for a total of 62.5 inches, an increase of 12.5 inches over the prior year.

\- The Capital Improvement Plan (CIP) and Financial Model were analyzed and revised to reflect asset renewal and replacement needs over the next 10 years, reduced demand projections and anticipated regulatory requirements. The total value of the revised CIP is $279.3 million for the 5-year period, 2019 through 2023.

\- The Authority's Finance Division was awarded the Distinguished Budget Presentation Award for its 2018 budget document and the Certificate of Achievement for Excellence in Financial Reporting for its 2017 Comprehensive Annual Financial Report, both by the Government Finance Officers Association.

\- The Authority continued to focus on initiatives outlined in its 5-year Strategic Plan. The Strategic Plan was implemented in 2016 with nine strategic initiatives designed to improve the Authority's ability to provide sustainable and reliable drinking water that supports public health, public safety and the economic vitality of the region.

\- The Laboratory Division performed 17,225 tests of chemical and bacteriological samples.

\- The Georgia Association of Water Professional (GAWP) conducted "Plant of the Year" inspections at the Wyckoff and Quarles Treatment Divisions in 2018. The Wyckoff Division was awarded Plant of the Year in the Large Surface Water Treatment Plant category with a score of 98.6. The Quarles Division received a score of 97.3 and an achievement award for ranking in the 90th percentile. Both plants also received the GAWP Platinum Award in 2018, recognizing ten consecutive years of full compliance with all water quality, monitoring, and reporting requirements.

\- The Transmission Division participated in the GAWP Water Distribution System Award program for the first time in 2018 and received the Gold Award with a score of 99.9%.

\- The Transmission Division continued planned programs of pipeline easement clearing and valve maintenance, resulting in approximately 2 miles of pipeline easement cleared for improved access for inspection and maintenance activities, and 1,245 valves exercised and maintained as required to ensure operability.

\- The Transmission Division received and reviewed 16,790 pipeline location inquiries through the Utilities Protection Center. The division responded to 2,354 of the inquiries by providing field locations of Authority facilities.

\- The Authority reviewed its outlook for proposed rate increases over the period covering 2019 and 2020. As a result of realized cost controls and operational efficiencies in prior years, CCMWA was able to continue its planned rate increase of 2% per year with no changes.

Financial Statements

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness. Finally, the Statement of Cash Flows provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, capital and non-capital financing activities.

Financial Analysis of the Authority

The Statements of Net Position for 2017 and 2018 are summarized in a Condensed Statement of Net Position. (See Table I). The Authority's net position increased by 7.2% in 2018, due primarily to reserving net income in anticipation of investment in future capital projects.

Table I
Condensed Statement of Net Position
(Amounts Expressed in Millions of Dollars)

	2018	2017
Assets:		
Current and Other Assets	$219.0	$190.7
Capital Assets	489.9	480.1
Total Assets	708.9	670.8
Deferred Outflows	2.7	0.9
Liabilities:		
Long-Term Debt Outstanding	60.2	64.9
Other Liabilities	16.1	13.3
Total Liabilities	76.3	78.2
Deferred Inflows	0.3	1.4
Net Position:		
Invested in Capital Assets	424.5	409.4
Restricted	1.2	1.2
Unrestricted	209.3	181.5
Total Net Position	$635.0	$592.1

The Statements of Revenues, Expenses and Changes in Net Position for 2018 and 2017 are summarized in a Condensed Statement of Changes in Net Position (See Table II). The Authority achieved an increase in net position of $42.9 million for the year ended December 31, 2018, which was $3.5 million more than the $39.4 million increase achieved for the year ended December 31, 2017.

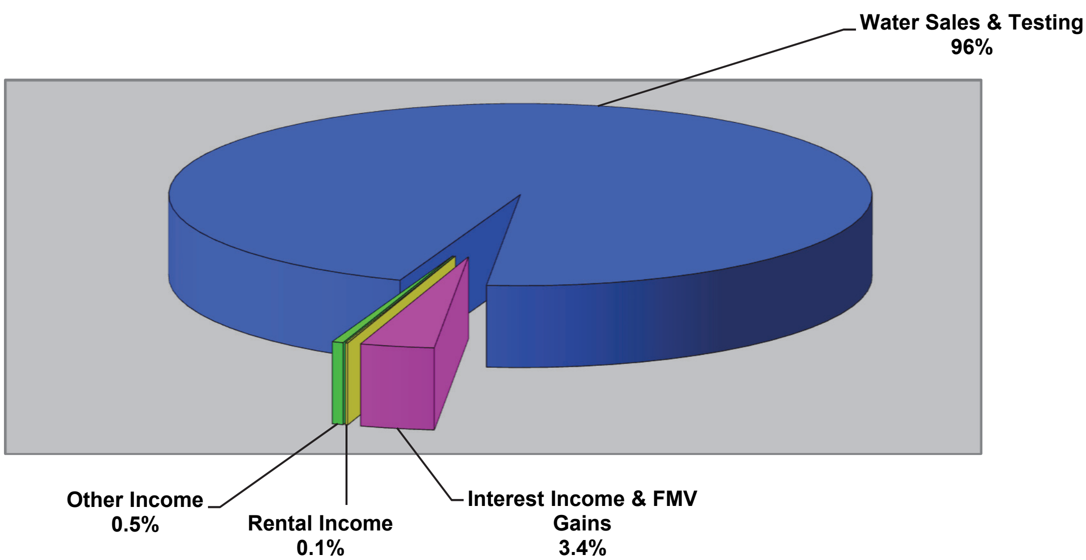
Table II Condensed Statement of Changes in Net Position
(Amounts Expressed in Millions of Dollars)

	2018	2017
Revenues:		
Operating Revenue	$90.5	$86.6
Interest Income	2.8	1.7
Non-Operating Revenue:		
Rental Income	0.1	0.1
Other Income	0.5	0.3
Gain (Loss) on Market Value of Investments	0.3	(0.6)
Total Revenue	94.2	88.1
Expenses:		
Operating Expenses:		
General Expenses	2.9	1.6
Administration	1.0	0.8
Administration and Rental Buildings	0.1	0.1
Finance	0.3	0.4
Engineering Division	1.3	1.2
Information Technology	0.3	0.3
Safety and Security	0.2	0.2
Research and Development	0.9	0.9
Hickory Log Creek Division	0.4	0.5
Wyckoff Plant Division	7.4	7.3
Quarles Plant Division	7.1	6.5
Maintenance	3.0	2.5
Laboratory	1.0	1.0
Transmission	2.2	1.8
Depreciation	20.8	21.0
Interest Expense	2.4	2.6
Total Expenses	51.3	48.7
Increase in Net Position	$42.9	$39.4
Net Position, Beginning of Year	$592.1	$552.7
Net Position, End of Year	$635.0	$592.1

Revenues

The Authority's total revenue of $94.2 million reflects an increase of $6.1 million compared to 2017. (See Condensed Statement of Changes in Net Position – Table II). Revenue from water sales and testing increased $3.9 million in 2018 to $90.5 million, compared to $86.6 million from the prior year. Interest income increased $1.1 million to $2.8 million in 2018, compared to $1.7 million in the prior year. The changes in market value of investments in 2018 resulted in a gain of $329,979, an increase of $970,092 compared to the prior year loss of $640,113.

2018 Total Revenue by Source

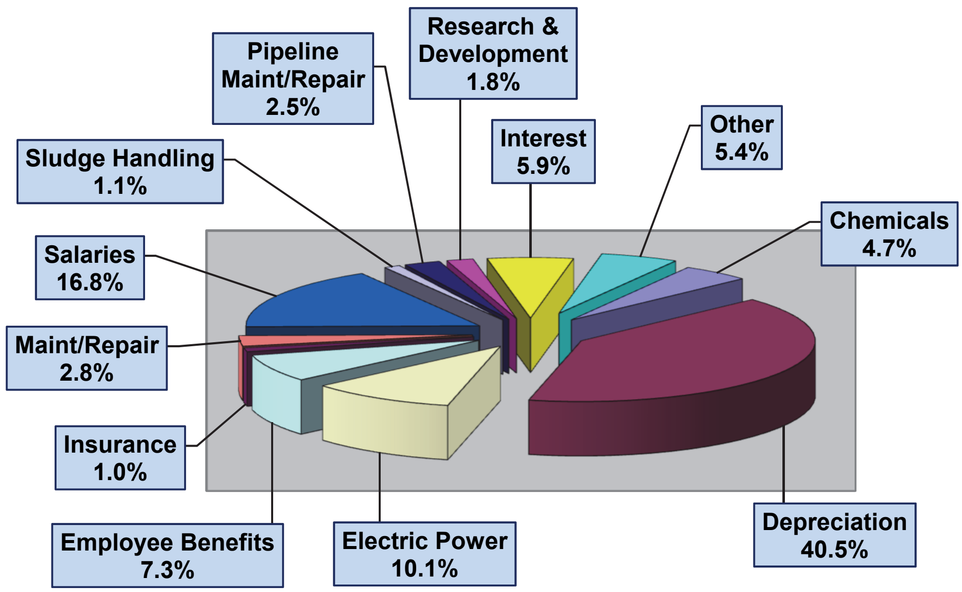


Expenses

The Authority's total expenses for 2018 were $51.4 million, an increase of $2.7 million compared to 2017 total expenses (See Condensed Statement of Changes in Net Position – Table II). Depreciation expense decreased slightly from $21 million in 2017 to $20.8 million in 2018 due to the timed replacement of capital assets. Salary expenses increased 2.6% year over year to $8.6 million. Employee benefit costs exclusive of pension expense increased from $2.1 million in 2017 to $2.4 million in 2018. Electric power expense increased 3.3% in 2018 to $5.2 million due to an increase in provider rates. Chemical expense decreased 1.5% year over year to $2.4 million due to Granular Activated Carbon vessels not being depleted during the year and requiring regeneration.

Sludge Handling/Residuals Management expenses were $569,000, representing an 11.4% increase in cost year over year due to more turbidity in raw water, resulting in increased sludge production. Research and Development expenses were $940,000, representing a 3.9% increase over 2017 due to an increase in pipeline condition assessments. Liability insurance expenses of $514,000 decreased by 8.6% year over year due to lower premiums negotiated during the renewal period. Pipeline maintenance and repair expense increased 50.8% year over year to $1.3 million due to increased expenditures on emergency pipeline repairs and easement clearing. General maintenance and repair expense decreased 10.1% in 2018 to $1.4 million. Other expenses increased from $1.2 million in 2017 to $2.7 million in 2018 due to increased expenses for litigation and information technology.

2018 Total Expenses by Source



Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the Authority had $489.9 million invested in a broad range of capital assets, a $9.8 million increase (net of depreciation) over the prior year. During 2018, the Authority invested $30.6 million in capital assets, but accumulated $20.8 million in additional depreciation expense (See Capital Assets as of December 31 – Table III). More detailed information about capital assets can be found in Note 4 of the Notes to Financial Statements.

Table III
Capital Assets as of December 31
Net of Accumulated Depreciation

	2018	2017
Land and Easements	$28,273,743	$28,029,722
Buildings	$27,149,129	$24,298,856
Furniture & Fixtures	12,794	14,460
Vehicles	466,780	464,946
Machinery & Equipment	66,042,644	61,238,977
Distribution Lines	180,640,541	122,028,400
Pumping Stations	14,640,019	15,302,355
Treatment Plants	97,397,483	88,216,273
Water Tanks	5,068,979	4,868,119
Water Resources	36,432,908	37,357,124
	456,125,020	381,819,232
Construction in Progress	30,919,523	96,584,948
Retainage on Construction Contracts	2,834,686	1,707,264
Net Capital Assets	$489,879,229	$480,111,444

Debt Administration

CCMWA's debt ceiling is $400 million. The Authority has no current plans to increase its level of debt.

The Authority had $60.2 million in outstanding long-term debt at the end of 2018 (See Outstanding Long-Term Debt - Table IV). Long-Term debt is comprised of four components in 2018 – 2009 Refunding Revenue Bonds, 2015 Revenue Bonds, Net Pension Liability, and Compensated Absences payable. More detailed information about long-term debt can be found in Note 5 of the Notes to Financial Statements.

On October 2, 2009 the Authority issued Revenue Bonds, Series 2009 for the purpose of refunding $42,490,000 in aggregate principal of the Series 2002 Revenue Bonds. These bonds were issued in the amount of $41,910,000 with interest rates ranging from 3.00% to 5.25%, interest payments due semiannually on May 1 and November 1, and principal payments due annually on November 1, with the bonds maturing on November 1, 2021.

On June 15, 2015 the Authority issued Revenue Bonds, Series 2015 for the purpose of refunding $51,013,580 in aggregate principle of two (Phase 1 & 2) loans made by the Georgia Environmental Finance Authority (GEFA). These bonds were issued in the amount of $47,315,000, with interest rates ranging from 2.00% to 5.00%, interest payments due semiannually on May 1 and November 1, and principal payments due annually on November 1 with the bonds maturing on November 1, 2042.

The Authority continues to analyze all available funding options. The funding options include, but are not limited to, bond issuance and/or low interest loans balanced with an appropriate rate structure.

Table IV
Outstanding Long-Term Debt

	2018	2017
Revenue Bonds Payable - Principal	$59,080,000	$65,165,000
Unamortized Premium	3,925,964	4,560,480
Less Current Bonds Payable	(6,290,000)	(6,085,000)
Total Revenue Bonds, Long Term	56,715,964	63,640,480
Net Pension Liability	2,097,800	-
Compensated Absences Payable	2,210,413	2,017,244
Less Current Compensated Absences Payable	(835,780)	(728,053)
Total Outstanding Long-Term Debt	$60,188,397	$64,929,671

Looking forward to 2019

Water Sales and Testing:

- Production forecast – 80.9 MGD
- In-county rate $2.99/1000 gallons; out-of-county rate $3.30/1000 gallons

Construction in Progress:

Projects scheduled to begin design:
- Blackjack Tank Supply 36-Inch Water Main – Aged Pipe Replacement
- Quarles Taste & Odor Process Improvements
- Wyckoff 6MG Clearwell Addition
- Wyckoff Maintenance Building Renovation

Projects scheduled to continue design:
- Quarles Plant 2 SCADA (Supervisory Control And Data Acquisition) Replacement

Projects scheduled to begin construction:
- West Side Loop Section 2, 36-Inch Water Main – Aged Pipe Replacement
- Pete Shaw Tank 2

Projects scheduled to continue construction:
- Quarles Water Treatment Plant 1 Replacement
- Wyckoff 42-Inch Finished Water Main – Aged Pipe Replacement
- Mableton Parkway 36-Inch Water Main – Aged Pipe Replacement
- Highway 41 Parallel 20-Inch Water Main – Aged Pipe Replacement

Projects scheduled for completion:
- Fifty-two (52) small Asset Renewal and Replacement projects or purchases scheduled for design, construction and completion at a cost of $10 million.

The Authority's 2019 Capital Improvement Program budget is $69.8 million, including planned Asset Renewal and Replacement projects and a $2.5 million general contingency. The Authority plans to fund all 2019 capital improvements with cash.

Other Items:

- Since 2007, emphasis on conservation and the economy have slowed growth of water sales. CCMWA has experienced modest gains in water demand over the last two years and anticipates a slight reduction in water sales for 2019. Capital and financial planning have been revised accordingly, with sales for 2019 planned to average 80.9 MGD compared to actual water sales of 81.3 MGD in 2018.

- The Capital Improvement Plan and Financial Model continue to be analyzed and revised to reflect changing demand projections and increasing regulatory requirements. A CIP inflation driver of 4% and a 3% operations inflation driver is used through CCMWA's 30-year planning horizon. Significant factors impacting the operations inflation driver include escalating costs of water treatment chemicals and advanced treatment technologies. Operating costs should not increase significantly in 2019, as no additional treatment techniques are planned, and source water quality is not anticipated to significantly degrade.

- The Engineering Division utilized its pipe replacement prioritization program to identify and prioritize pipe replacements in the transmission system during its 2017 review of needed capital improvements. The results were utilized in the formation of CCMWA's Capital Improvement Program for 2019-2023 to ensure timely replacement of aged pipelines.

- At the end of 2017, CCMWA's water supply contract with Douglasville-Douglas County Water & Sewer Authority (DDCWSA) expired and new contract terms were negotiated. DDCWSA operates its own water treatment and transmission system and has purchased water from CCMWA only on an as-needed, secondary basis. The new contract terms include a base infrastructure charge and a variable delivery charge, designed to recognize and compensate CCMWA for investments in infrastructure to serve DDCWSA as a non-sole-source customer. The effective total rate for DDCWSA is equal to CCMWA's current in-county sole-source rate. The base infrastructure charges received from DDCWSA during 2018 resulted in increased water sales revenue over the prior year without a significant change in gallons sold.

- In 2015, Paulding County received a permit to build the Richland Creek Reservoir and is pursuing an aggressive construction program to develop an independent water supply. Paulding County accounted for 14.6% of the Authority's water sales revenue in 2018, and this revenue stream is expected to effectively end by early 2020. The Authority has revised its Capital Improvement Plan to eliminate future capital improvement expenditures intended to solely or primarily benefit Paulding County. CCMWA plans to negotiate new contract terms with Paulding County during 2019, with the same structure as the contract between CCMWA and DDCWSA.

Requests for Information

This financial report is designed to provide a general overview of the Cobb County-Marietta Water Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Cobb County-Marietta Water Authority, 1170 Atlanta Industrial Drive, Marietta, GA 30066.

COBB COUNTY-MARIETTA WATER AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 63,196,652
Receivables:	
Accounts	6,913,314
Intergovernmental receivable	62,038
Accrued interest receivable	725,830
Other	380,223
Investments	144,619,119
Restricted cash and cash equivalents	1,657,836
Inventory	1,493,407
Total current assets	219,048,419
NON-CURRENT ASSETS	
Capital assets:	
Land	28,273,743
Buildings	32,041,803
Utility plant & distribution lines	532,176,331
Furniture and fixtures	92,061
Machinery and equipment	109,973,521
Vehicles	2,002,999
Construction in progress	33,754,209
	738,314,667
Less accumulated depreciation	248,435,438
Total capital assets, net of accumulated depreciation	489,879,229
Total assets	708,927,648
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	447,100
Pension related items	2,272,282
Total deferred outflows of resources	2,719,382

See Notes to Financial Statements.

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	$ 5,221,768
Accrued expenses and other liabilities	551,521
Retainage payable	2,834,686
Compensated absences payable	835,780
	9,443,755
Payable from restricted assets:	
Revenue bonds payable	6,290,000
Accrued interest payable	434,336
	6,724,336
Total current liabilities	16,168,091
LONG-TERM LIABILITIES	
Compensated absences payable	1,374,633
Revenue bonds payable, net	56,715,964
Net pension liability	2,097,800
Total long-term liabilities	60,188,397
Total liabilities	76,356,488
DEFERRED INFLOWS OF RESOURCES	
Pension related items	294,463
NET POSITION	
Net investment in capital assets	424,485,679
Restricted for debt service	1,223,500
Unrestricted	209,286,900
Total net position	$ 634,996,079

COBB COUNTY-MARIETTA WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2018

Operating revenues:	
Charges for services:	
Water sales and testing	$ 90,478,252
Total operating revenues	90,478,252
Operating expenses:	
General expenses	2,878,106
Administration	976,880
Administration and rental buildings	105,184
Finance	344,133
Engineering division	1,311,121
Information technology	307,792
Safety and security	224,041
Research and development	939,966
Hickory Log Creek division	371,783
Wyckoff Plant division	7,429,745
Quarles Plant division	7,068,289
Maintenance	2,904,182
Laboratory	1,044,719
Transmission	2,237,226
Depreciation	20,820,906
Total operating expenses	48,964,073
Operating income	41,514,179
Non-operating revenues (expenses):	
Interest income	2,871,370
Net increase in the fair value of investments	329,979
Interest expense and fiscal charges	(2,416,357)
Rental income	95,648
Loss on disposal of capital assets	(11,462)
Other income	498,361
Total non-operating revenues (expenses), net	1,367,539
Change in net position	42,881,718
Net position, beginning of year	592,114,361
Net position, end of year	$ 634,996,079

See Notes to Financial Statements.

COBB COUNTY-MARIETTA WATER AUTHORITY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	89,980,111
Payments for goods and services		(16,652,574)
Payments to employees		(7,973,137)
Net cash provided by operating activities		65,354,400
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Rent payments received		95,648
Other miscellaneous non-operating receipts		498,361
Net cash provided by noncapital financing activities		594,009
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for purchases and construction of capital assets		(29,501,640)
Proceeds from sale of capital assets		28,909
Principal payments on long-term borrowings		(6,085,000)
Interest paid on long-term borrowings		(2,818,714)
Net cash used in capital and related financing activities		(38,376,445)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments		(55,909,833)
Proceeds from sales of investments		33,656,009
Interest received		2,570,417
Net cash used in investing activities		(19,683,407)
Net increase in cash and cash equivalents		7,888,557
Cash and cash equivalents:		
Beginning of year		56,965,931
End of year	$	64,854,488
Classified as:		
Cash and cash equivalents	$	63,196,652
Restricted cash and cash equivalents		1,657,836
	$	64,854,488

Continued

COBB COUNTY-MARIETTA WATER AUTHORITY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	41,514,179
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense		20,820,906
Changes in assets and liabilities:		
Increase in customer accounts receivable		(513,352)
Decrease in other receivables		1,305,375
Decrease in intergovernmental receivable		15,211
Decrease in inventory		79,121
Decrease in prepaid items		391
Increase in deferred outflows of resources - pension items		(2,064,632)
Increase in accounts payable		1,460,360
Increase in compensated absences		193,169
Increase in accrued expenses and other liabilities		54,080
Increase in net pension liability		3,639,521
Decrease in deferred inflows of resources - pension items		(1,149,929)
Net cash provided by operating activities	$	65,354,400
NONCASH INVESTING ACTIVITIES		
Increase in fair value of investments	$	329,979

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Cobb County-Marietta Water Authority (the "Authority") was created by Act No. 319 of the General Assembly of the State of Georgia in 1951 and has been amended from time to time by other Acts of the General Assembly. The Act provides that the general purpose of the Authority is to acquire an adequate source or sources of water supply, treatment of such water, and distribution of water to the Cobb County Water system and the various municipalities in the County and environs, including adjoining counties and municipalities located therein.

The Authority consists of seven members who are selected as follows: (1) one member is the chairperson of the Board of Commissioners of Cobb County, Georgia; (2) one member is selected by the governing board of the City of Marietta, Georgia; (3) one member is selected by the governing body of the City of Smyrna, Georgia; (4) four members are selected by a caucus consisting of all members of the General Assembly of the State of Georgia whose districts are wholly or partially within Cobb County. The four members selected by a caucus shall include one member from the Cobb County Commission District 1 or 4 and one member from the Cobb County Commission District 2 or 3, excluding residents of Marietta and Smyrna; and two members from unincorporated Cobb County.

Fund Accounting:

The Authority uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The fund presented in this report is a Proprietary Fund Type - *Enterprise Fund.* Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Measurement Focus/Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued):

In accounting and reporting for its proprietary operations, the Authority applies all Governmental Accounting Standards Board (GASB) pronouncements. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The Authority's principal operating revenue is water sales while the operating expenses include direct general and administrative expenses, distribution, laboratory, water plant, depreciation and other operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Management Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Investments:

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority.

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity date of three months or less, to be cash equivalents.

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the Authority's investment in the Georgia Fund 1 is reported at fair value. The Authority considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

The Authority's nonparticipating interest-earning investment contracts are recorded at cost. The remaining investments are recorded at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets:

Certain resources set aside for the repayment of the Authority's revenue bonds are classified as restricted assets on the statement of net position because their use is limited by applicable covenants.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Authority's financial statements.

Inventories:

Inventories of materials and supplies are stated at cost using the first-in, first-out (FIFO) method. The Authority uses the consumption method of accounting for inventory in that as items are purchased they are added to inventory then as subsequently used are recorded to expense.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item (not related to pensions) that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

The Authority also has deferred outflows of resources and deferred inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Authority's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions, which adjust the net pension liability, are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Premiums, Discounts, and Issuance Costs:

Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Additionally, bond premiums and discounts are presented as an addition and reduction, respectively, of the face amount of bonds payable in the statement of net position. Issuance costs are expensed when paid in the statement of revenues, expenses, and changes in net position.

Net Position Flow Assumption:

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., bond proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Capital Assets:

The Authority has established minimum capitalization thresholds for its various classes of capital assets. These assets are depreciated using the straight-line method according to the following estimated ranges of useful lives:

Capital Asset Class	Threshold	Estimated Useful Life
Computer Hardware and Software	> $5,000	3 Years
Furniture, Fixtures and Other Equipment	> $5,000	5-7 Years
Laboratory and Monitoring Equipment	> $5,000	10 Years
Building and Building Improvements	> $10,000	25-50 Years
Infrastructure	> $10,000	10-50 Years
Machinery and Equipment	> $10,000	5-25 Years
Vehicles	> $10,000	5 Years
Intangible Assets	> $25,000	3-50 Years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. During the year ended December 31, 2018 the Authority did not capitalize any interest.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued):

Construction in progress and the related retainage consist of costs associated with distribution lines, pumping stations, water storage and plant construction which were not completed as of year-end. Because these projects are incomplete and not ready for their intended use, no depreciation is recorded.

Compensated Absences:

Annual leave hours are available to employees after six (6) months of employment in a full time position. The maximum annual leave accruals for employees who work 40-hour weeks and 12-hour shifts are 400 hours and 600 hours, respectively.

Employees hired after February 29, 2004 earn sick leave for each pay period up to a maximum of 65 days (520 hours for 40-hour week employees and 780 hours for 12-hour shift employees). Employees hired prior to February 29, 2004 earn sick leave for each pay period up to a maximum of 90 days (720 hours for 40-hour week employees and 1080 hours for 12-hour shift employees). Accumulated sick leave over 65 days in both cases is allowed as “Earned Time.” Earned time may be taken as time off.

Pensions:

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Cobb County-Marietta Water Authority Retirement Plan (the “Retirement Plan”) and additions to/deductions from the Retirement Plan’s fiduciary net position have been determined on the same basis as they are reported by the Retirement Plan. The Retirement Plan utilizes the accrual basis of accounting. Contributions are recognized when paid or legally due. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2018, are summarized as follows:

As reported in the Statement of Net Position

Cash and cash equivalents	$	63,196,652
Investments		144,619,119
Restricted:		
Cash and cash equivalents		1,657,836
	$	209,473,607
Deposits with financial institutions	$	84,974,984
Georgia Fund 1		4,953,337
U.S. Government Agency Securities		92,104,662
U.S. Treasury Notes		27,440,624
	$	209,473,607

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal and state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of December 31, 2018, the Authority had deposits with five (5) financial institutions collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on tier assigned by the State. Additionally, the Authority had deposits with three (3) financial institutions that were collateralized by pledged securities, as defined above, such that all of the Authority's bank balances were insured and/or collateralized as defined by GASB and required by State Statutes.

Credit risk. State statutes authorize the Authority to invest in U.S. Government obligations; U.S. Government agency (or other corporation of the U.S. Government) obligations; obligations fully insured or guaranteed by the U.S. Government or a U.S. Government agency; obligations of the State of Georgia or other states; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America; prime bankers' acceptances; repurchase agreements; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

Operating funds of the Authority are currently invested in the Georgia Fund 1; U.S. Treasuries and U.S Government agencies; or certificates of deposit.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk. The Authority 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.

As of December 31, 2018, the Authority held the following investments:

Investment	Weighted Average Maturity (Years)	Credit Rating	Balance
Certificates of Deposit	2.28	(a)	$ 25,073,833
United States Treasury Notes	1.75	AA+	27,440,624
United States Government Agency Securities	2.14	AA+	92,104,662
Georgia Fund 1	.06	AAAf	4,953,337
			$ 149,572,456

(a) These are certificates of deposit held at local financial institutions and are not rated.

Fair Value Measurements. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Authority has the following recurring fair value measurements as of December 31, 2018:

Investment	Level 1	Level 2	Fair Value
United States Treasury Notes	$ 27,440,624	$ -	$ 27,440,624
United States Government Agency Securities	29,119,777	62,984,885	92,104,662
Total investments measured at fair value	$ 56,560,401	$ 62,984,885	119,545,286
Investments not subject to level disclosure:			
Georgia Fund 1			4,953,337
Investments carried at cost:			
Certificates of Deposit			25,073,833
Total Investments			$ 149,572,456

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (continued). The United States Treasury Notes and United States Government Agency Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. The United States Government Agency Securities and State of Georgia Obligations classified as Level 2 of the fair value hierarchy are valued using option-adjusted and present value of expected future cash flow models.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 39. As a result, the Authority does not disclose the investment in the Georgia Fund 1 within the fair value hierarchy.

The Authority's certificates of deposit are considered nonparticipating interest-earning investment contracts and, accordingly, are recorded at cost.

NOTE 3. RECEIVABLES

Receivables consisted of the following at December 31, 2018:

Receivables:		
Accounts	$	6,913,314
Intergovernmental		62,038
Accrued interest		725,830
Other		380,223
Total receivables	$	8,081,405

Intergovernmental receivables consisted of $34,618 due from the City of Canton for their share of the Hickory Log Creek Reservoir Project. Additional information about this project can be found in Note 9.

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 28,029,722	$ -	$ -	$ 244,021	$ 28,273,743
Construction in progress	98,292,213	30,629,062	-	(95,167,066)	33,754,209
Total	126,321,935	30,629,062	-	(94,923,045)	62,027,952
Capital assets, being depreciated:					
Buildings	28,483,344	-	(28,110)	3,586,569	32,041,803
Utility plants/distribution lines	452,277,215	-	-	79,899,116	532,176,331
Machinery and equipment	98,982,521	-	(304,474)	11,295,474	109,973,521
Furniture and fixtures	142,215	-	(56,785)	6,631	92,061
Vehicles	2,128,396	-	(260,652)	135,255	2,002,999
Total	582,013,691	-	(650,021)	94,923,045	676,286,715
Less accumulated depreciation for:					
Buildings	(4,184,489)	(736,296)	28,110	-	(4,892,675)
Utility plants/distribution lines	(184,504,943)	(13,491,456)	-	-	(197,996,399)
Machinery and equipment	(37,743,543)	(6,451,436)	264,103	-	(43,930,876)
Furniture and fixtures	(127,754)	(8,298)	56,785	-	(79,267)
Vehicles	(1,663,453)	(133,420)	260,652	-	(1,536,221)
Total	(228,224,182)	(20,820,906)	609,650	-	(248,435,438)
Total capital assets, being depreciated, net	353,789,509	(20,820,906)	(40,371)	94,923,045	427,851,277
Total capital assets, net	$ 480,111,444	$ 9,808,156	$ (40,371)	$ -	$ 489,879,229

NOTE 5. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2009 Revenue bonds	$ 20,565,000	$ -	$ (4,870,000)	$ 15,695,000	$ 5,010,000
Series 2015 Revenue bonds	44,600,000	-	(1,215,000)	43,385,000	1,280,000
Plus unamortized premium	4,560,480	-	(634,516)	3,925,964	-
Revenue bonds, net	69,725,480	-	(6,719,516)	63,005,964	6,290,000
Net pension liability (asset)	(1,541,721)	4,835,388	(1,195,867)	2,097,800	-
Compensated absences	2,017,244	989,413	(796,244)	2,210,413	835,780
Total long-term liabilities	$ 70,201,003	$ 5,824,801	$ (8,711,627)	$ 67,314,177	$ 7,125,780

NOTE 5. LONG-TERM DEBT (CONTINUED)

Revenue Bonds:

In October 2009, the Authority issued Revenue Bonds, Series 2009 for the purpose of refunding $42,490,000 in aggregate principal of the Series 2002 Revenue Bonds. These bonds were issued in the amount of $41,910,000 with interest rates ranging from 3.00% to 5.25%, interest payments due semiannually on May 1 and November 1, and principal payments due annually on November 1 with the bonds maturing on November 1, 2021.

In June 2015, the Authority issued Revenue Bonds, Series 2015 for the purpose of retiring $51,717,789 in notes payable to the Georgia Environmental Finance Authority. The bonds were issued in the principal amount of $47,315,000 with interest rates ranging from 2.00% to 5.00%, interest payments due semiannually on May 1 and November 1, and principal payments due annually on November 1 with the bonds maturing on November 1, 2042.

Debt service requirements to maturity on the revenue bonds are as follows:

	Principal	Interest	Total
Fiscal year ending December 31,			
2019	$ 6,290,000	$ 2,606,013	$ 8,896,013
2020	6,540,000	2,354,413	8,894,413
2021	6,870,000	2,027,413	8,897,413
2022	1,435,000	1,698,125	3,133,125
2023	1,510,000	1,626,375	3,136,375
2024-2028	8,700,000	6,975,425	15,675,425
2029-2033	10,710,000	4,972,263	15,682,263
2034-2038	12,945,000	2,730,700	15,675,700
2039-2042	4,080,000	357,375	4,437,375
Total	$ 59,080,000	$ 25,348,102	$ 84,428,102

The Authority’s revenue bonds are special limited obligations of the Authority payable solely from and secured by a pledge of and lien on all operating revenues derived by the Authority from the ownership and operation of its water system, remaining after the payment of expenses of operating, maintaining, and repairing the system. These revenues are pledged to secure the revenue bonds of the Authority until such time that all outstanding principal has been satisfied on the bonds.

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description

Plan administration. The Authority's pension plan, the Cobb County-Marietta Water Authority Retirement Plan (the "Retirement Plan") is a single-employer, defined benefit pension plan, and is overseen by a Pension Committee and administered by a third-party. The Pension Committee consists of not less than three members, nor more than nine who may, but need not be, Members of the Board of Directors of the Authority, officers or employees of the Authority, or retired participants of the Retirement Plan. The members of the Committee serve at the pleasure of the Authority and any or all members may be removed by the Authority at any time and successor members of the Committee will be named by the Authority. The Committee has the power and duty to do all things necessary to affect the intent and purposes of the Retirement Plan. However, the authority to amend or terminate the Retirement Plan as well as the authority to direct the trustee in the investment of the trust fund remains with the Authority. For the year ended December 31, 2018, the Retirement Plan did not issue separate financial statements.

Plan membership. The Retirement Plan covers all full-time employees who are employed by and receive compensation from the Authority. At December 31, 2018, Retirement Plan membership consisted of the following:

Inactive participants currently receiving benefits	52
Inactive participants entitled to, but not receiving benefits	9
Active plan members	111
Total	172

Benefits provided. The Retirement Plan provides retirement, disability, and death benefits. The normal retirement benefits begin at age 65 for participants who have completed five (5) years of credited service. At that time, the participant becomes eligible to receive basic annual benefits. The basic benefit is equal to 2% of the participant's average monthly compensation (those thirty-six consecutive months of credited service that produce the highest average) multiplied by the years of credited service accumulated to date, up to thirty (30) years, plus 1% of the participant's average monthly compensation (as defined above) to date multiplied by credited service in excess of thirty (30) years. These benefits are payable in the normal form—that is, a monthly annuity payable for the life of the participant. Early retirement is allowed on the last day of any month in which a participant's employment terminates and the participant has attained age fifty-five (55) and has completed at least ten (10) years of credited service. The early retirement benefit is calculated in the same manner as the normal retirement benefit and is then reduced by 1.5% for each year by which the participant's benefit commences prior to his or her normal retirement date.

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

Benefits provided (continued). A participant who becomes totally and permanently disabled after ten (10) years of service will receive a monthly accrued benefit commencing on the first day of the month following his or her normal retirement date. The monthly accrued benefit is calculated based upon credited service only up to inception of disability. The average monthly plan compensation for the period of disability will be determined based upon the assumption that the participant's compensation will continue at the same rate as during the last full calendar year preceding inception of disability. To be considered totally and permanently disabled, a participant must quality for Social Security disability benefits.

If a participant dies before his or her normal retirement date and has ten or more years of credited service, his or her beneficiary will receive 120 guaranteed monthly payments, commencing immediately. If a participant dies on or after his or her normal retirement date, his or her beneficiary will receive the benefit payable under the normal form elected by the participant, commencing immediately.

Contributions. A resolution by the Board of Directors of the Authority grants the authority to establish and amend the contribution requirements of the Authority to the Pension Committee, subject to the approval of the Board. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Retirement Plan members during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. Currently, employees of the Authority do not contribute to the Retirement Plan. For the year ended December 31, 2018, the Authority's contribution rate was 11.50% of annual payroll.

Net Pension Liability of the Authority

The Authority's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	4.75% compounded annually, including inflation
Investment rate of return	7.25%, net of investment expenses, including inflation

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Authority (Continued)

Mortality rates were based on the RP-2014 Mortality for Healthy Lives with fully generational using 1/2 of scale MP-2018 (for healthy annuitants) and the RP-2014 Mortality for Disabled Lives with fully generational using 1/2 of scale MP-2018 (for disabled lives).

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period of January 1, 2008 through December 31, 2016.

The long-term expected rate of return on Retirement Plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. Multiplying the weights by the target asset allocation percentage and adding expected inflation produces the long-term expected rate of return. Best estimates of arithmetic real rates of return for each major asset class included in the Retirement Plan's target asset allocation as of December 31, 2018 are:

Asset Class	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic Equity	52.5%	10.0%
International Equity	10.0%	12.0%
Real Estate	2.5%	10.0%
Domestic Fixed Income	35.0%	3.0%

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will continue to be made at the current rates. Based on those assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Retirement Plan members.

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Authority (Continued)

Changes in the Net Pension Liability of the Authority. The changes in the components of the net pension liability (asset) of the Authority for the year ended December 31, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 12/31/17	$ 35,608,797	$ 37,150,518	$ (1,541,721)
Changes for the year:			
Service cost	713,658	-	713,658
Interest	2,589,156	-	2,589,156
Differences between expected and actual experience	(176,554)	-	(176,554)
Assumption changes	(117,313)	-	(117,313)
Contributions—employer	-	902,000	(902,000)
Net investment income	-	(1,532,574)	1,532,574
Benefit payments, including refunds of employee contributions	(1,241,649)	(1,241,649)	-
Net changes	1,767,298	(1,872,223)	3,639,521
Balances at 12/31/18	$ 37,376,095	$ 35,278,295	$ 2,097,800

The required schedule of changes in the Authority's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the Authority, calculated using the discount rate of 7.25 percent, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's net pension liability (asset)	$ 6,299,651	$ 2,097,800	$ (1,485,316)

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Authority (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2018 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the Authority recognized pension expense of $1,326,960. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 104,837	$ 197,287
Changes in assumptions	54,382	97,176
Net difference between projected and actual earnings on pension plan investments	2,113,063	-
Total	$ 2,272,282	$ 294,463

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending December 31:	
2019	$ 705,462
2020	285,499
2021	222,245
2022	806,260
2023	(41,647)
Total	$ 1,977,819

NOTE 7. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

For the year ended December 31, 2018, contractual commitments on uncompleted contracts were $60,651,167.

Contingencies:

The Authority has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenses previously reimbursed by those agencies. Based upon prior experience, management of the Authority believes such disallowances, if any, will not be significant.

NOTE 8. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries insurance for all risks of loss, including general liability and errors and omission coverage through a private insurance company. The Authority carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets, injuries, errors and omissions, and natural disaster. Significant losses are covered by the commercial insurance underlying these programs.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9. JOINT VENTURES

On May 2, 2000, Cobb-County Marietta Water Authority (the “Authority”) and the City of Canton entered into a joint project agreement for the construction of the Hickory Log Creek Reservoir. This project includes the construction of a dam, approximately 411 acre reservoir with approximately 15 miles of shoreline, pump station and intake facility, and a pipeline connecting the Reservoir with the Etowah River. The City of Canton’s entitlement share or ownership of the project is 25% while the Authority’s share is 75%. The term of the agreement between both parties is fifty (50) years from its beginning date. Both the City of Canton and the Authority have decided it would be wasteful and a needless expense to create a separate entity to construct, administer and operate the project. Therefore, there are no separate financial statements prepared other than the annual audited financial statements of both entities and monthly settlement statements.

NOTE 10. ECONOMIC DEPENDENCY

The Cobb County-Marietta Water Authority has eleven customers for which the Authority is the source of water supply. However, two of these customers account for a significant portion of the Authority's overall operating revenues.

Cobb County, Georgia purchases its water supply from the Authority pursuant to a long-term contract that expires on May 15, 2032. For the year ended December 31, 2018, revenues from Cobb County amounted to $57,921,488 or 64.0% of the Authority's operating revenues.

Paulding County, Georgia purchases its water supply from the Authority pursuant to a long-term contract that expires on June 1, 2032. For the year ended December 31, 2018, revenues from Paulding County amounted to $14,137,827 or 15.6% of the Authority's operating revenues. In addition, Paulding County has notified the Authority that it is presently planning to stop purchasing water supply from the Authority by early 2020.

REQUIRED SUPPLEMENTARY INFORMATION

COBB COUNTY-MARIETTA WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE AUTHORITY'S
NET PENSION LIABILITY AND RELATED RATIOS

	2018	2017	2016	2015
Total pension liability				
Service cost	$ 713,658	$ 716,431	$ 620,318	$ 613,728
Interest on total pension liability	2,589,156	2,442,341	2,352,652	2,220,010
Differences between expected and actual experience	(176,554)	26,445	168,602	(130,274)
Changes in assumptions	(117,313)	-	105,001	-
Changes in benefit terms	-	-	-	(3,926)
Benefit payments	(1,241,649)	(1,076,086)	(972,975)	(903,430)
Net change in total pension liability	1,767,298	2,109,131	2,273,598	1,796,108
Total pension liability - beginning	35,608,797	33,499,666	31,226,068	29,429,960
Total pension liability - ending (a)	$ 37,376,095	$ 35,608,797	$ 33,499,666	$ 31,226,068
Plan fiduciary net position				
Contributions - employer	$ 902,000	$ 891,500	$ 881,500	$ 855,000
Net investment income (loss)	(1,532,574)	5,357,129	1,887,368	154,130
Benefit payments	(1,241,649)	(1,076,086)	(972,975)	(903,430)
Net change in plan fiduciary net position	(1,872,223)	5,172,543	1,795,893	105,700
Plan fiduciary net position - beginning	37,150,518	31,977,975	30,182,082	30,076,382
Plan fiduciary net position - ending (b)	$ 35,278,295	$ 37,150,518	$ 31,977,975	$ 30,182,082
Authority's net pension liability (asset) - ending (a) - (b)	$ 2,097,800	$ (1,541,721)	$ 1,521,691	$ 1,043,986
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.4%	104.3%	95.5%	96.7%
Covered payroll	$ 7,840,847	$ 7,729,785	$ 7,271,634	$ 7,179,574
Net pension liability (asset) as a percentage of covered payroll	26.8%	-19.9%	20.9%	14.5%

2014	2013	2012	2011	2010	2009
$ 563,408	$ 543,082	$ 550,089	$ 554,264	$ 546,651	$ 505,226
1,981,839	1,871,727	1,801,543	1,705,985	1,629,536	1,530,591
(102,464)	(158,628)	(683,324)	(293,928)	(485,942)	(108,007)
1,557,332	-	-	-	-	-
-	-	-	-	-	-
(847,216)	(770,851)	(681,788)	(694,083)	(663,543)	(636,874)
3,152,899	1,485,330	986,520	1,272,238	1,026,702	1,290,936
26,277,061	24,791,731	23,805,211	22,532,973	21,506,271	20,215,335
$ 29,429,960	$ 26,277,061	$ 24,791,731	$ 23,805,211	$ 22,532,973	$ 21,506,271
$ 840,000	$ 800,000	$ 740,000	$ 740,000	$ 740,000	$ 700,000
2,252,513	4,248,814	2,451,847	568,504	2,170,670	2,553,285
(847,216)	(770,851)	(681,788)	(694,083)	(663,543)	(636,874)
2,245,297	4,277,963	2,510,059	614,421	2,247,127	2,616,411
27,831,085	23,553,122	21,043,063	20,428,642	18,181,515	15,565,104
$ 30,076,382	$ 27,831,085	$ 23,553,122	$ 21,043,063	$ 20,428,642	$ 18,181,515
$ (646,422)	$ (1,554,024)	$ 1,238,609	$ 2,762,148	$ 2,104,331	$ 3,324,756
102.2%	105.9%	95.0%	88.4%	90.7%	84.5%
$ 6,899,710	$ 6,469,029	$ 6,159,167	$ 5,717,773	$ 5,641,194	$ 5,132,691
-9.4%	-24.0%	20.1%	48.3%	37.3%	64.8%

COBB COUNTY-MARIETTA WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY CONTRIBUTIONS

	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 809,176	$ 752,109	$ 866,779	$ 769,650	$ 739,780
Contributions in relation to the actuarially determined contribution	902,000	891,500	881,500	855,000	840,000
Contribution deficiency (excess)	$ (92,824)	$ (139,391)	$ (14,721)	$ (85,350)	$ (100,220)
Covered payroll	$ 7,840,847	$ 7,729,785	$ 7,271,634	$ 7,179,574	$ 6,899,710
Contributions as a percentage of covered payroll	11.50%	11.53%	12.12%	11.91%	12.17%

	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 740,481	$ 747,005	$ 713,203	$ 692,355	$ 752,390
Contributions in relation to the actuarially determined contribution	800,000	740,000	740,000	740,000	700,000
Contribution deficiency (excess)	$ (59,519)	$ 7,005	$ (26,797)	$ (47,645)	$ 52,390
Covered payroll	$ 6,469,029	$ 6,159,167	$ 5,717,773	$ 5,641,194	$ 5,132,691
Contributions as a percentage of covered payroll	12.37%	12.01%	12.94%	13.12%	13.67%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation Date	January 1, 2018
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	The difference in the expected return and the actual return are spread evenly over five (5) years, adjusted if necessary to within 20% of Market Value.
Assumed Rate of Return on Investments	7.25% compounded annually net of investment expenses
Projected Salary Increases	4.75% compounded annually
Cost-of-living Adjustment	Liabilities are loaded 5.0% to account for future ad hoc COLAs
Amortization Method	Closed level percentage of pay
Remaining Amortization Period	11 years (closed)

STATISTICAL SECTION

This part of the Cobb County-Marietta Water Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

COBB COUNTY-MARIETTA WATER AUTHORITY
NET POSITION BY COMPONENT
LAST TEN YEARS
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Investment in Capital Assets	$212,678,111	$248,151,230	$297,306,964	$291,046,250	$303,939,439	$303,122,478	$323,777,529	$381,028,358	$409,392,434	$424,485,679
Restricted for Debt Service	568,204	605,479	636,358	664,646	695,480	1,132,336	1,107,667	1,151,833	1,189,333	1,223,500
Unrestricted	117,022,928	109,291,267	88,844,830	126,513,399	137,373,343	172,275,047	185,069,454	170,543,951	181,532,594	209,286,900
Total Net Position	$330,269,243	$358,047,976	$386,788,152	$418,224,295	$442,008,262	$476,529,861	$509,954,650	$552,724,142	$592,114,361	$634,996,079

*__Source:__ Cobb County-Marietta Water Authority historical financial records

COBB COUNTY-MARIETTA WATER AUTHORITY
CHANGES IN NET POSITION
LAST TEN YEARS
Unaudited

	2018	2017	2016	2015	2014
Operating Revenues	$90,478,252	$86,582,223	$89,655,464	$80,356,367	$75,661,819
Operating Expenses	48,964,073	46,093,835	46,224,169	45,099,147	44,474,605
Operating Income	41,514,179	40,488,388	43,431,295	35,257,220	31,187,214
Non-Operating Revenue (Expense)	1,367,539	(1,098,169)	(661,803)	(1,333,152)	3,334,385
Change in Net Position	42,881,718	39,390,219	42,769,492	33,924,068	34,521,599
Net Position - Beginning	592,114,361	552,724,142	509,954,650	476,030,582 (1)	442,008,262
Net Position - Ending	$634,996,079	$592,114,361	$552,724,142	$509,954,650	$476,529,861

*Note: Additional detail for Operating Revenues, Operating Expenses and Non-Operating Revenue (Expense) as shown above can be found in the schedules that immediately follow.

(1) Beginning net position for 2015 was restated by ($499,279) resulting from the implementation of GASB Statement No. 68.

***Source:** Cobb County-Marietta Water Authority historical financial records

2013	2012	2011	2010	2009
$69,314,666	$72,733,198	$67,441,944	$62,174,419	$53,503,832
40,152,408	38,673,588	37,275,388	32,790,707	30,602,469
29,162,258	34,059,610	30,166,556	29,383,712	22,901,363
(7,008,314)	(2,274,488)	(1,426,380)	(1,604,979)	(470,156)
22,153,944	31,785,122	28,740,176	27,778,733	22,431,207
419,854,318	386,439,173	358,047,976	330,269,243	307,838,036
$418,224,295	$386,788,152	$358,047,976	$330,269,243	$307,838,036

COBB COUNTY-MARIETTA WATER AUTHORITY
OPERATING REVENUES BY SOURCE
LAST TEN YEARS
Unaudited

FISCAL YEAR	WATER AND LABORATORY REVENUES	TOTAL
2009	$ 53,503,832	$ 53,503,832
2010	62,174,419	62,174,419
2011	67,441,944	67,441,944
2012	72,733,198	72,733,198
2013	69,314,666	69,314,666
2014	75,661,819	75,661,819
2015	80,356,367	80,356,367
2016	89,655,464	89,655,464
2017	86,582,223	86,582,223
2018	90,478,252	90,478,252

***Source:** Cobb County-Marietta Water Authority historical financial records

COBB COUNTY-MARIETTA WATER AUTHORITY
OPERATING EXPENSES BY FUNCTION
LAST TEN YEARS
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017		2018
General & Administration (1)	$ 2,572,338	$ 2,813,300	$ 2,943,897	$ 2,996,304	$ 3,113,314	$ 3,188,620	$ 3,573,643	$ 3,861,947	$ 3,432,161		$ 4,836,136
Engineering Division	868,783	962,571	955,659	977,919	1,082,671	1,047,869	1,095,825	1,137,137	1,178,530		1,311,121
Research & Development	1,095,593	1,418,459	1,687,406	1,317,730	1,265,607	1,167,698	1,306,390	1,413,167	905,015		939,966
Hickory Log Creek Reservoir	305,215	321,358	374,219	315,974	314,081	344,821	407,793	409,310	438,619		371,783
Wyckoff Treatment Division	6,735,231	6,908,924	7,676,831	7,536,234	7,036,782	8,372,891	8,396,900	8,440,087	7,336,272	(2)	7,429,745
Quarles Treatment Division	7,010,139	7,190,920	7,990,171	7,843,836	8,103,217	7,965,241	7,897,152	8,079,773	6,449,373	(2)	7,068,289
Maintenance	-	-	-	-	-	-	-	-	2,516,400	(2)	2,904,182
Laboratory Division	911,751	976,776	950,287	958,795	974,934	1,010,305	1,038,148	1,038,546	1,035,550		1,044,719
Transmission Division	1,243,929	1,363,544	1,476,915	1,722,593	1,606,697	1,847,542	1,913,257	1,717,536	1,825,471		2,237,226
Depreciation	9,859,490	10,834,855	13,220,003	15,004,203	16,655,105	19,529,618	19,470,039	20,126,666	20,976,444		20,820,906
	$30,602,469	$32,790,707	$37,275,388	$38,673,588	$40,152,408	$44,474,605	$45,099,147	$46,224,169	$46,093,835		$48,964,073

***Source:** Cobb County-Marietta Water Authority historical financial records

(1) General & Administration expense includes General, Administration, Administration & Rental Buildings, Finance, Information Technology, and Safety and Security expenses.
(2) In 2017, the Authority created the Maintenance Division through reclassification of current employees from the Quarles and Wyckoff Divisions.

COBB COUNTY-MARIETTA WATER AUTHORITY
NON-OPERATING REVENUES (EXPENSES)
LAST TEN YEARS
Unaudited

	2009	2010	2011	2012	2013	2014		2015	2016	2017	2018
Interest Income	$ 3,263,041	$ 2,545,833	$ 1,496,084	$ 1,233,407	$ 1,464,502	$ 1,566,250		$ 1,558,881	$ 1,553,449	$ 1,699,327	$ 2,871,370
Gain (Loss) on Fair Value of Investments (1)	77,247	-	940,425	20,213	(4,716,259)	3,316,553		648,014	327,490	(640,113)	329,979
Interest Expense & Fiscal Charges	(4,062,169)	(3,682,796)	(3,581,503)	(3,586,120)	(3,873,321)	(3,593,125)		(3,689,056)	(2,832,098)	(2,610,302)	(2,416,357)
Intergovernmental	246,990	-	244,658	-	-	377,117		-	-	-	-
Rental Income	4,735	71,643	109,865	127,247	116,764	119,904		142,511	177,238	96,394	95,648
Gain (Loss) on Disposal of Capital Assets	-	(539,659)	(635,909)	(69,235)	-	-		(74,684)	37,303	13,865	(11,462)
Other Income (Expense)	-	-	-	-	-	1,547,686	(2)	81,182	74,815	342,660	498,361
Total Non-Operating Revenues (Expenses), Net	$ (470,156)	$ (1,604,979)	$ (1,426,380)	$ (2,274,488)	$ (7,008,314)	$ 3,334,385		$ (1,333,152)	$ (661,803)	$ (1,098,169)	$ 1,367,539

(1) The gain (loss) reported on the fair value of the Authority's investments will vary based upon market conditions each reporting period.

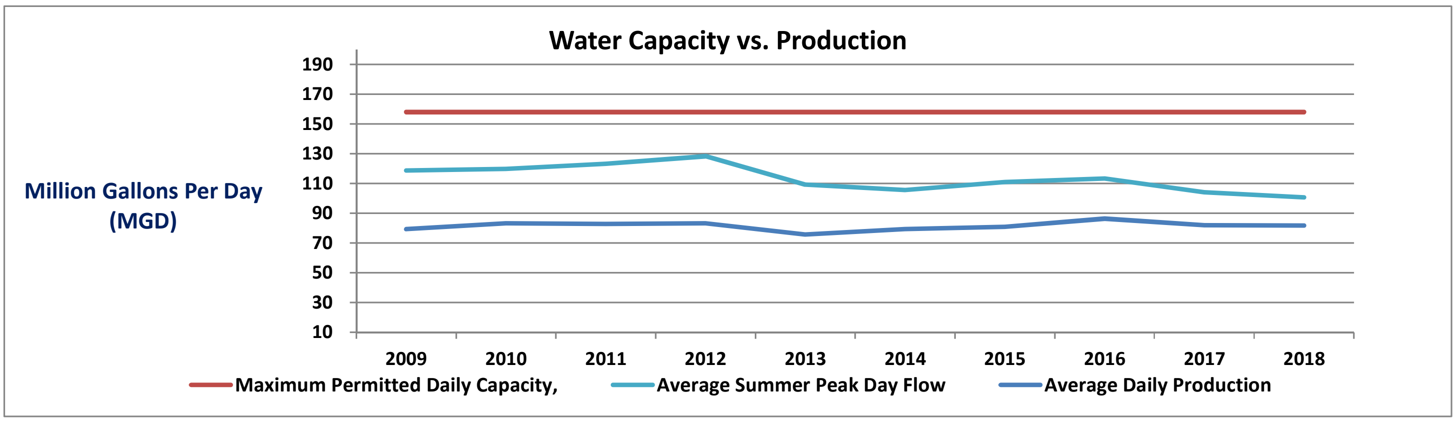
(2) The Finance Division, in coordination with independent consultants and other CCMWA divisions, applied for reimbursement of sales taxes paid by contractors on various projects which amounted to approximately $1.3 million net of fees. This item led to the significant increase in other income during 2014.

***Source:** Cobb County-Marietta Water Authority historical financial records

COBB COUNTY-MARIETTA WATER AUTHORITY
WATER CAPACITY COMPARED WITH ANNUAL AVERAGE DAILY FLOW
LAST TEN YEARS
(ALL NUMBERS EXPRESSED IN MILLIONS OF GALLONS)
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Maximum Permitted Daily Capacity,										
MGD of Water Treatment Plants (WTPs):										
Quarles WTP	86	86	86	86	86	86	86	86	86	86
Wyckoff WTP	72	72	72	72	72	72	72	72	72	72
	158	158	158	158	158	158	158	158	158	158
Average Daily Production	79	83	83	83	76	79	81	86	82	82
Percent of Capacity Used	50.27	52.72	52.46	52.60	47.94	50.25	51.15	54.65	51.90	51.66
Average Summer Peak Day Flow	119	120	123	128	109	106	111	113	104	101
Percent of Capacity Used	75.16	75.84	77.95	81.23	69.18	66.88	70.19	71.75	65.82	63.73

***Source:** Cobb County-Marietta Water Authority Historical Records



COBB COUNTY-MARIETTA WATER AUTHORITY
NUMBER OF CUSTOMERS
LAST TEN YEARS
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Wholesale Water Customers										
In-County Governmental Customers	5	5	5	5	5	5	5	5	5	5
In-County Industrial/Private Customers	1	1	1	1	1	1	1	1	1	1
Out-of-County Governmental Customers (1)	6	6	6	6	6	6	6	6	6	6
Out-of-County Industrial/Private Customers	-	-	-	-	-	-	-	-	-	-
	12	12	12	12	12	12	12	12	12	12

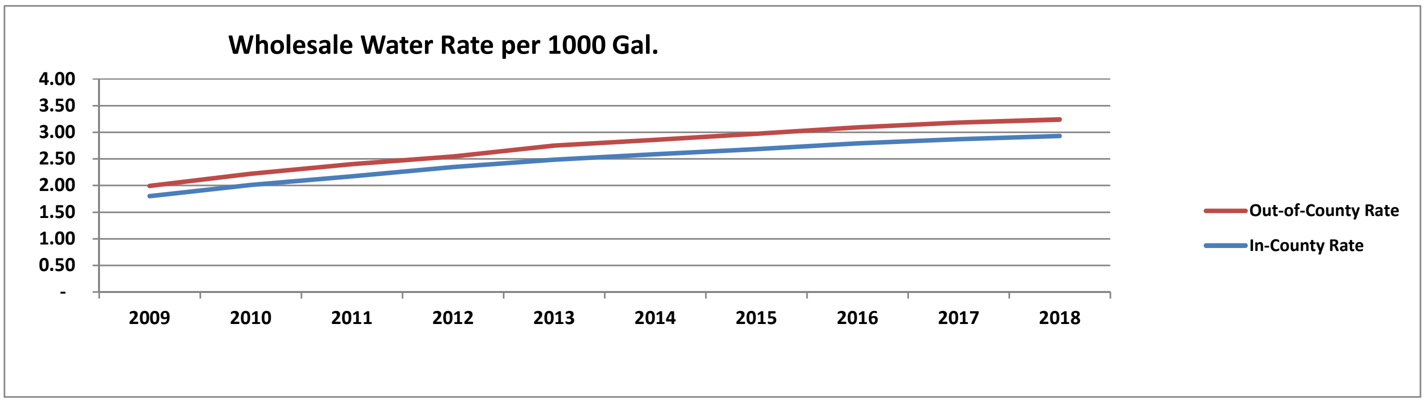
***Source:** Cobb County-Marietta Water Authority Historical Records

(1) Although six out-of-county governmental customers are listed, one of those customers, Fulton County, has not purchased water in over 10 years.

COBB COUNTY-MARIETTA WATER AUTHORITY
WHOLESALE WATER RATES
LAST TEN YEARS
Unaudited

Wholesale Water Price Per Thousand Gallons	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Base Charge	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
In-County Rate	1.80	2.01	2.17	2.34	2.48	2.58	2.68	2.79	2.87	2.93
Out-of-County Rate	1.99	2.22	2.40	2.54	2.75	2.86	2.97	3.09	3.18	3.24

***Source:** Cobb County-Marietta Water Authority historical financial records



COBB COUNTY-MARIETTA WATER AUTHORITY
LIST OF CUSTOMERS BY DEMAND
CURRENT YEAR AND NINE YEARS AGO
Unaudited

	2018			2009		
	Demand in Thousands of Gallons	Revenue	Percentage of Sales	Demand in Thousands of Gallons	Revenue	Percentage of Sales
Cobb County Water System	19,764,946	$ 57,921,488	66.2%	19,561,726	$ 35,316,142	67.4%
Paulding County (1)	4,363,527	14,137,827	14.6%	3,728,503	7,420,479	12.9%
Marietta Board of Lights and Water	2,707,976	7,934,370	9.1%	2,945,834	5,308,770	10.2%
City of Smyrna	1,343,491	3,936,429	4.5%	1,289,045	2,320,281	4.4%
City of Woodstock	520,099	1,706,998	1.7%	461,677	925,099	1.6%
City of Powder Springs	497,177	1,459,659	1.7%	324,127	583,429	1.1%
City of Austell	328,222	961,690	1.1%	375,325	675,585	1.3%
Lockheed-Martin Corporation	297,488	871,640	1.0%	288,406	523,723	1.0%
Douglasville/Douglas County Water Water Authority (2)	426	1,446,086	0.0%	10,548	41,981	0.0%
City of Mountain Park	14,498	46,974	0.0%	17,483	34,862	0.1%
Cherokee County Water & Sewerage Authority	3,289	10,941	0.0%	2,130	4,249	0.0%
	29,841,139	$ 90,434,102		29,004,804	$ 53,154,600	

***Source**: Cobb County-Marietta Water Authority historical records

(1) Paulding County has informed the Cobb County-Marietta Water Authority that the county is building its own reservoir and water treatment facility. Paulding County expects to stop purchasing water from the Authority by the end of 2018.

(2) Douglasville/Douglas County Water Authority renewed their contract with Cobb County-Marietta Water Authority in December, 2017. The new contract recognizes Douglasville's need for water on an emergency basis only and is based on a reserved daily allocation that is charged monthly and a volumetric charge when water is purchased. This contract resulted in monthly revenue from Douglasville not related to direct water sales.

COBB COUNTY-MARIETTA WATER AUTHORITY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS
Unaudited

Fiscal Year	Senior Lien Revenue Bonds	Georgia Environmental Finance Authority Notes	Total Outstanding Debt	Percentage of Personal Income	Population	Debt per Capita
2009	$ 51,032,340	$ 36,389,650	$ 87,421,990	0.295%	684,780	$ 127.66
2010	47,160,066	36,702,384	83,862,450	0.278%	689,750	121.58
2011	46,730,564	36,911,505	83,642,069	0.272%	697,550	119.91
2012	42,033,113	55,443,496	97,476,609	0.311%	707,170	137.84
2013	41,245,417	55,443,496	96,688,913	0.302%	716,950	134.86
2014	36,504,284	51,717,789	88,222,073	0.269%	726,850	121.38
2015	82,707,667	-	82,707,667	0.244%	733,860	112.70
2016	76,301,219	-	76,301,219	0.215%	741,334	102.92
2017	69,725,480	-	69,725,480	0.196%	753,860	92.49
2018	63,005,964	-	63,005,964	0.167%	773,930	81.41

***Source**: Cobb County-Marietta Water Authority historical records

*Note: Debt listed above does not include accrued compensated absences

*Note: Population and personal income used in this table only represents Cobb County, Georgia. Source information for those items are found in the Demographic and Economic Statistics Table.

COBB COUNTY-MARIETTA WATER AUTHORITY
PLEDGED REVENUE COVERAGE
LAST TEN YEARS
Unaudited

Fiscal Year	Operating Revenues	Other Income	Operating Expenses (Excluding Depreciation)	Net Available Revenues	Principal	Interest	Total	Coverage Ratio
2009	$ 53,503,832	$ 3,592,013	$ 20,742,979	$ 36,352,866	$ 5,723,357	$ 4,062,169	$ 9,785,526	3.71
2010	62,174,419	2,077,817	21,955,852	42,296,384	4,395,552	3,682,796	8,078,348	5.24
2011	67,441,944	2,155,123	24,055,385	45,541,682	4,564,457	3,581,503	8,145,960	5.59
2012	72,733,198	1,311,632	23,669,385	50,375,445	5,446,389	3,586,120	9,032,509	5.58
2013	69,314,666	(3,134,993)	23,497,303	42,682,370	5,816,133	3,873,321	9,689,454	4.41
2014	75,661,819	6,927,510	24,944,987	57,644,342	7,760,707	3,829,349	11,590,056	4.97
2015	80,356,367	2,430,588	25,629,108	57,157,847	4,630,000	3,365,293	7,995,293	7.15
2016	89,655,464	2,170,295	26,097,503	65,728,256	5,595,000	3,298,072	8,893,072	7.39
2017	86,582,223	1,512,133	25,117,391	62,976,965	5,860,000	3,041,240	8,901,240	7.08
2018	90,478,252	3,783,896	28,143,167	66,118,981	6,085,000	2,812,863	8,897,863	7.43

***Source**: Cobb County-Marietta Water Authority historical records

*Note: Cobb County-Marietta Water Authority does not receive funding from property taxes or impact fees.

COBB COUNTY-MARIETTA WATER AUTHORITY
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO
Unaudited

		2018		2009	
Employer	Industry	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Brand Energy & Infastructure Holdings	Retail	2,803	0.52%	-	-
Cobb County Government	Government	5,086	0.94%	5,288	1.23%
Cobb County Schools	Government	14,984	2.77%	20,133	4.70%
Dobbins Air Force Base	Government	-	-	2,521	0.59%
Home Depot	Retail	12,000	2.22%	-	-
Kennesaw State University	Education	5,980	1.11%	3,107	0.72%
Kroger Co.	Retail	2,523	0.47%	-	-
Lockheed Martin	Aircraft/Defense	5,100	0.94%	7,028	1.64%
Publix Super Markets	Retail	3,619	0.67%	4,207	0.98%
Ryla Teleservices Inc. (Alorica)	Call Center	-	-	3,932	0.92%
Six Flags Over Georgia	Theme Park	2,772	0.51%	2,506	0.58%
Walmart	Retail	-	-	2,750	0.64%
Wellstar Health System	Healthcare	11,596	2.15%	9,142	2.13%

***Source:** Cobb County Office of Economic Development and Cobb County Chamber of Commerce

COBB COUNTY-MARIETTA WATER AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
Unaudited

Fiscal Year	Population (1)	Personal Income (1)	Per Capita Personal Income (1)	County Unemployment Rate (2)
2009	684,780	$ 29,643,900,000	$ 43,290	9.60%
2010	689,750	30,144,950,000	43,704	9.50%
2011	697,550	30,776,120,000	44,120	8.40%
2012	707,170	31,338,650,000	44,316	7.30%
2013	716,950	32,029,550,000	44,675	7.10%
2014	726,850	32,765,870,000	45,079	6.00%
2015	733,860	33,827,430,000	46,095	4.90%
2016	741,334	35,410,880,000	47,766	4.50%
2017	753,860	35,656,700,000	47,299	3.60%
2018	773,930	37,682,170,000	48,689	3.20%

City	Population
Acworth	22,163
Austell	7,227
Kennesaw	33,433
Marietta	60,203
Powder Springs	14,765
Smyrna	55,467

***Sources:**
(1) Woods and Poole Economics 2018 Data Pamphlet
(2) Cobb County Office of Economic Development and Cobb County Chamber of Commerce

COBB COUNTY-MARIETTA WATER AUTHORITY
FULL TIME EMPLOYEES BY FUNCTION
LAST TEN YEARS
Unaudited

Division	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water Treatment & Water Resources	66	69	71	72	72	72	71	71	46	42
Maintenance (1)	-	-	-	-	-	-	-	-	25	26
Transmission	9	9	10	10	11	11	11	11	11	11
Laboratory	10	10	10	10	10	10	10	10	10	10
Engineering	7	8	9	9	9	9	8	8	8	9
Administration & Information Systems	9	11	11	11	12	12	12	12	12	14
	101	107	110	111	113	113	112	112	112	112

(1) In 2017, the Authority created the Maintenance Division through reclassification of current employees from the Quarles and Wyckoff Divisions (which are included in the Water Treatment & Water Resources category above).

***Source:** Cobb County-Marietta Water Authority historical records

COBB COUNTY-MARIETTA WATER AUTHORITY
WATER TANK STORAGE CAPACITY
LAST TEN YEARS
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Ground Level Tanks:										
Blackjack Mountain	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Brush Mountain	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Pine Mountain No. 1	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
Pine Mountain No. 2	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Pete Shaw	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Factory Shoals	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Groover Mountain	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Lost Mountain No. 1	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Lost Mountain No. 2	-	-	-	-	-	-	4,000	4,000	4,000	4,000
Quarles Washwater	500	500	500	500	500	500	500	500	500	500
	36,100	36,100	36,100	36,100	36,100	36,100	40,100	40,100	40,100	40,100
Elevated Tanks:										
Wyckoff Washwater	400	400	400	400	400	400	400	400	400	400
Storage at Water Plants:										
Quarles Treatment Division	8,000	8,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Wyckoff Treatment Division	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
	14,000	14,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Water Tank Storage Capacity:	50,500	50,500	56,500	56,500	56,500	56,500	60,500	60,500	60,500	60,500

***Source:** Cobb County-Marietta Water Authority historical records

Note: All storage capacity figures expressed in thousands.

COBB COUNTY-MARIETTA WATER AUTHORITY
RAW WATER RESERVOIR STORAGE CAPACITY
LAST TEN YEARS
Unaudited

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Raw Water Reservoirs										
Hickory Log Creek Reservior {% Ownership}	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500
Allatoona Reservoir {% Ownership}	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688
Quarles Treatment Division Reservoir	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
	8,634,188	8,634,188	8,634,188	8,634,188	8,634,188	8,634,188	8,634,188	8,634,188	8,634,188	8,634,188
Average Daily Flow										
Average Daily Production	79,000	83,000	83,000	83,000	76,000	79,000	81,000	81,000	81,000	82,000
Number of Days Supply	109	104	104	104	114	109	107	107	107	105

***Source:** Cobb County-Marietta Water Authority historical records

Note: All storage capacity figures expressed in thousands.

COMPLIANCE SECTION

MAULDIN & JENKINS

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

To the Members of the Board of the
Cobb County-Marietta Water Authority
Marietta, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cobb County-Marietta Water Authority (the "Authority"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 3, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. Given these limitations, 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.

Compliance and Other Matters

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

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 3, 2019