COBB COUNTY-MARIETTA WATER AUTHORITY

MARIETTA, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2013

COBB COUNTY-MARIETTA WATER AUTHORITY

FINANCIAL REPORT
DECEMBER 31, 2013

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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, 2013, 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.

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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, 2013, 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 3 through 11) and the Schedules of Funding Progress and Employer Contributions (on pages 28 and 29) 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2014 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 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 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 7, 2014

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, 2013. 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:

- Water Sales revenue decreased 4.7% from $72.6 million in 2012 to $69.2 million in 2013, a decrease of $3.4 million. Gallons sold decreased from 30.27 billion gallons sold in 2012 to 27.45 billion gallons sold in 2013.
- Operating expenses increased from $38.7 million in 2012 to $40.2 million in 2013, an increase of $1.5 million or 3.9%.
- Operating income for 2013 was $29.2 million, compared to $34.1 million in 2012, representing a decrease of $4.9 million or 14.4%.
- Interest income increased by $231,000 from $1.2 million in 2012 to $1.5 million in 2013.
- Revenue bond debt decreased 9.3% from $42.9 million in 2012 to $38.9 million in 2013, representing a decrease of $4.0 million.
- GEFA loans outstanding decreased $1.2 million from $56.6 million in 2012 to $55.4 million in 2013.
- Total net position increased by 5.3% from $419.9 million in 2012 (restated) to $442.0 million in 2013, an increase of $21.1 million.
- At December 31, 2013, the Authority reported an unrestricted net position of $11.5 million, from $14.9 million in 2012, which is a decrease of $3.4 million over prior year due to an aggressive investment strategy.

Authority Highlights

Highlights for 2013

Construction in Progress:
Projects awarded for design in 2013:
- Florence Road 36-Inch Water Main Relocation, (DOT - related)

Projects awarded for construction in 2013:
- Florence Road 36-Inch Water Main Relocation, (DOT - related)

Projects completed in 2013:
- Macland Road 36-Inch Water Main Relocation – New Macland Road to Paulding County Line
- Florence Road 36-Inch Water Main Relocation, (DOT - related)

Other Items:

- Cobb County-Marietta Water Authority's average daily demand decreased 9.3% from 2012 to 2013, from 82.94 MGD to 75.21 MGD. Rainfall increased in CCMWA's service area by approximately 78%, or in excess of 29 inches of rainfall from 2012 to 2013. Although drought restrictions were lifted in 2009, demands remain suppressed with a continuing focus on conservation and sluggish economic recovery.

- The Wyckoff Treatment Division implemented a granular activated carbon treatment process. The treatment process will enable the division to meet the requirements of the revised Disinfection By-Products Rule, and reduce organic carbon and numerous other potential contaminates in finished drinking water pumped from the facility.

- The Authority implemented a new Finance Division and brought previously outsourced accounting and finance services in-house.

- The Capital Improvement Plan (CIP) and Financial Model were analyzed and revised to reflect asset renewal and replacement needs, demand and regulatory requirements. The total value of the revised CIP is $278 million for the 5-year period, 2014 through 2018.

- The Authority completed work with Atkins, N.A. to update the Water System Hydraulic Model. CCMWA's hydraulic computer model was utilized during CIP development in 2013 and will be updated and calibrated for a future long-range transmission system master plan.

- The Laboratory Division performed over 13,300 tests of chemical and bacteriological samples.

- The Wyckoff and Quarles operations divisions received Platinum award recognition from the Georgia Association of Water Professionals for exemplary performance of water treatment plant operations.

- The Authority ceased use of chlorine gas at all water treatment facilities and transitioned to use of onsite sodium hypochlorite generation, which eliminated the risk of an accidental release of chlorine gas at treatment facilities.

- The Transmission Division received and reviewed approximately 29,595 pipeline location inquiries through the Utilities Protection Center. The division responded to approximately 2,884 of the inquiries by providing field locations of Authority facilities.

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 2013 and 2012 are summarized in a Condensed Statement of Net Position. (See Table I). The Authority's net position increased by 5.3% in 2013 over last year due to continued investment in capital improvements.

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

	2013	2012
Assets:		
Current and Other Assets	$143.3	$131.0
Capital Assets	401.1	398.7
Total Assets	544.4	529.7
Deferred Outflows	2.4	2.9
Liabilities:		
Long-Term Debt Outstanding	92.9	98.9
Other Liabilities	11.9	15.5
Total Liabilities	$104.8	$114.4
Net Position:		
Invested in Capital Assets, Net of Related Debt	303.9	291.1
Restricted	126.6	113.9
Unrestricted	11.5	14.9
Total Net Position	$442.0	$419.9

The Statements of Revenues, Expenses and Changes in Net Position for 2013 and 2012 are summarized in a Condensed Statement of Changes in Net Position (See Table II). The Authority achieved an increase in net position of $22.2 million for the year ended December 31, 2013 which was $9.6 million less than the $31.8 million increase achieved for the year ended December 31, 2012. The reduced rate of increase in net position was primarily attributable to depressed water sales as a result of abnormally high rainfall in the Authority's service area and a $4.7 million loss on market value of investments resulting from an overall depressed bond market in 2013.

Table II Condensed Statement of Changes in Net Position

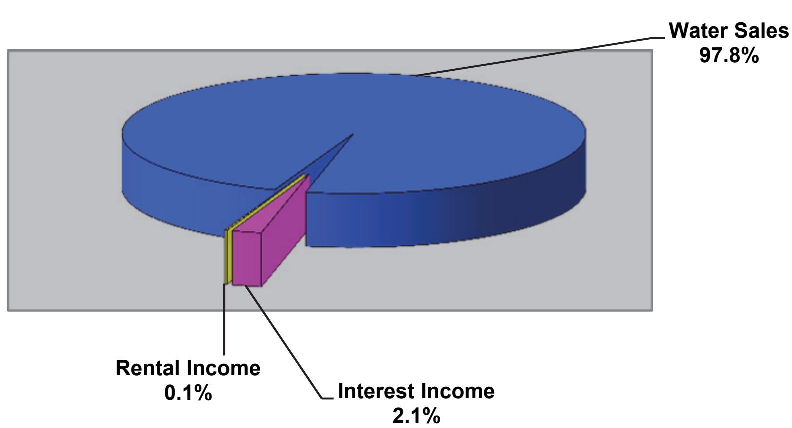
(Amounts Expressed in Millions of Dollars)

	2013	2012
Revenues:		
Operating Revenue	$69.3	$72.7
Interest Income	1.5	1.2
Other Income	(4.5)	0.2
Total Revenue	66.3	74.1
Expenses:		
Operating Expenses	40.2	38.7
Interest Expense	3.9	3.6
Total Expenses	44.1	42.3
Increase in Net Position	$22.2	$31.8

Revenues

The Authority's total revenue of $66.3 million reflects a decrease in 2013 of $7.8 million or 10.5% (See Condensed Statement of Changes in Net Position – Table II). Revenue from Water Sales decreased $3.4 million from the prior year. Interest Income increased $231,000 from $1.2 million in 2012 to $1.5 million in 2013. The adjustment on market value of investments in 2013 was down $4.7 million from the prior year gain of $20,000.

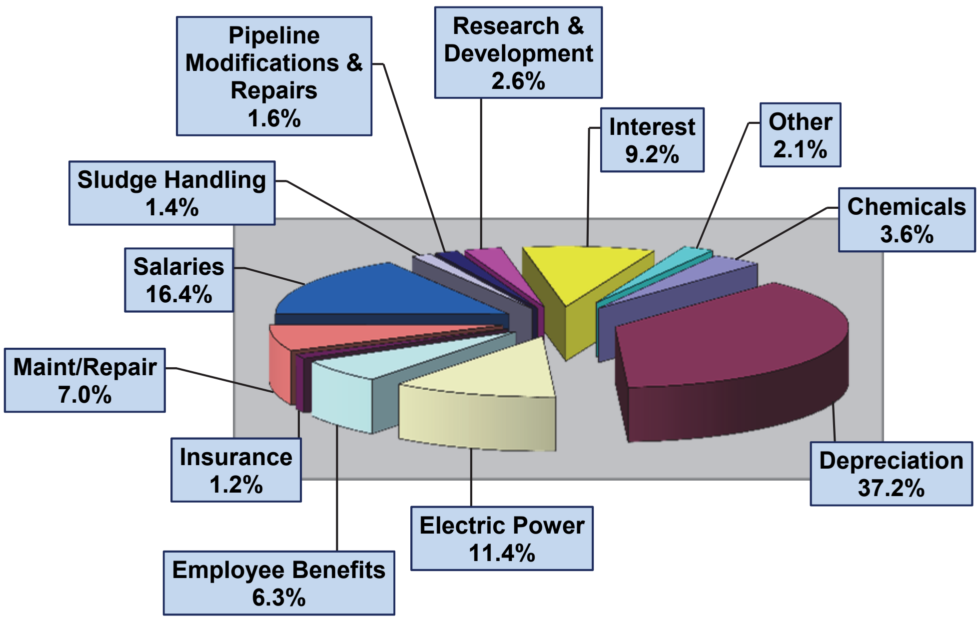
2013 Total Revenue by Source



Expenses

The Authority's total expenses for 2013 were $44.1 million, an increase of $1.8 million over 2012 total expenses (See Condensed Statement of Changes in Net Position – Table II). Depreciation expense increased $1.7 million to $16.7 million in 2013. Salary expenses remained steady year over year at $7.4 million. Electric power decreased 12% in 2013 to $5.1 million. Both Chemicals and Sludge Handling expenses remained virtually unchanged from 2012. Chemical expenses in 2013 were $1.6 million and Sludge Handling expenses were $627,000. Renewal and extension expenses decreased 8% to $1.2 million in 2013.

2013 Total Expenses by Source



Budgetary Highlights

The fiscal year 2013 budget was based on projected production of 81.0 million gallons per day (MGD) to generate $74.5 million in water sales. Actual 2013 production came in below forecast at 75.2 MGD, generating $69.2 million in water sales revenue, which was $5.3 million below forecast. Actual division operating expenses exclusive of Research and Development expense of $38.9 million came in under the 2013 budget of $44.2 million by $5.3 million. Research & Development expenditures totaling $1.3 million for the year were well below the budget of $2.9 million. The resulting 2013 operating income (including R&D expenses) of $29.2 million exceeded the $27.9 million budget by $1.3 million. Actual interest income was $490,000 over budget. The 2013 actual net income of $22.2 million was approximately $2.7 million under the $24.9 million forecast, due to an unrealized loss on fair market value of investments totaling $4.7 million.

Capital Assets and Debt Administration

Capital Assets

At the end of 2013, the Authority had $401 million invested in a broad range of capital assets, a $2 million increase (net of depreciation) over the prior year. This increase includes $3.6 million in distribution lines, $15.1 million distributed between buildings, treatment plant improvements and machinery and equipment, along with $16.7 million in depreciation expense in 2013 (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

	2013	2012
Land and Easements	$24,393,773	$23,785,308
Buildings	25,094,338	5,314,780
Furniture & Fixtures	3,128	3,798
Vehicles	608,588	625,097
Machinery & Equipment	65,935,994	18,090,614
Distribution Lines	106,744,818	103,154,945
Pumping Stations	19,553,715	21,364,750
Treatment Plants	109,482,716	99,303,535
Water Tanks	3,287,281	4,957,366
Water Resources	40,872,081	39,770,155
	395,976,432	316,370,348
Construction in Progress	2,258,184	78,189,354
Retainage on Construction Contracts	2,919,444	4,149,787
Net Capital Assets	$401,154,060	$398,709,489

Debt Administration

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

The Authority had $92.9 million in outstanding long-term debt at the end of 2013 (See Outstanding Long Term Debt - Table IV). Long-Term debt is comprised of three components – 2009 Refunding Revenue Bonds, GEFA Loans payable and Compensated Absences payable. More detailed information about long-term debt can be found in Note 5 of the Notes to Financial Statements.

The Authority executed a Phase 1 promissory note dated August 24, 2006 to borrow $35,000,000 at 3.81% from the Georgia Environmental Finance Authority (GEFA) for the construction of the Hickory Log Creek Reservoir. The final disbursement of the $35 million was made by GEFA in November 2008, and the interest accrued during construction of $1,708,506 was paid in December 2008. The Phase 1 loan repayment began in January 2009 with 360 monthly payments of $163,284.

In April 2008, the Authority executed a Phase 2 GEFA promissory note for the Hickory Log Creek reservoir project in the amount of $24,580,533. In October 2010, $2,714,069 of the Phase 2 loan had been disbursed and put into repayment with 360 monthly payments of $13,114 at an interest rate of 4.10%. By August 2012, the remaining $21,866,464 had been fully disbursed and was put into repayment (referenced as the Phase 3 loan) with 360 monthly payments of $105,687 at an interest rate of 4.10%.

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.

As part of the refunding, the proceeds from the new bonds were placed in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. On November 1, 2012 the Series 2002 Revenue Bonds were called and paid off in full using the proceeds of the trust and a final cash payment by the Authority.

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

	2013	2012
Revenue Bonds Payable - Principal	$37,970,000	$41,820,000
Unamortized Premium	3,275,517	4,063,113
Less Current Bonds Payable	(4,035,000)	(3,850,000)
Total Revenue Bonds, Long Term	37,210,517	42,033,113
GEFA Loan Payable	54,218,247	55,443,496
Compensated Absences Payable	1,468,643	1,439,654
Total Outstanding Long-Term Debt	$92,897,407	$98,916,263

Looking forward to 2014

Water Sales and Testing:

- Production forecast – 81.50 MGD
- In-county rate $2.58/1000 gallons; out-of-county rate $2.86/1000 gallons

Construction in Progress:

Projects scheduled to begin design:

- West Side Loop Water Main (48-Inch Replacement Water Main)
- Dallas Highway Water Main (36-Inch Parallel Water Main)
- Southwest Connector Water Main (54-Inch Water Main)
- Wyckoff Water Treatment Plant Electrical Improvements and Filter Building Rehabilitation
- Lost Mountain Storage Tank (5 Million Gallon Finished Water Storage Tank)

Projects scheduled to begin construction:

- Backup Power Generation – Quarles Water Treatment Plant and Raw Water Intake
- Highway 41, Phase 4 (36-Inch Water Main Replacement) Dobbins AFB to Windy Ridge Pkwy.

Projects scheduled for completion:

- Hickory Log Creek Reservoir Operations Building
- Hickory Log Creek Reservoir SCADA System
- Wyckoff Water Treatment Plant Regulatory & Operational Improvements
- Macland Road Water Main (36-Inch Water Main) New Macland Road to Paulding County Line

Various smaller Asset Renewal and Replacement projects are scheduled for design, construction and completion.

Other Items:

- Since 2007, continued emphasis on conservation and a sluggish economy have resulted in lower water sales. This trend is expected to continue into the foreseeable future. Capital and financial planning have been revised accordingly.

- The Capital Improvement Plan and Financial Model continue to be analyzed and revised to reflect demand and regulatory requirements. A CIP inflation driver of 3% is used for 2014 through 2015, with 4% thereafter. The operations inflation driver is 5% annually. Significant factors impacting the Operations & Maintenance (O&M) inflation rate include escalating costs of energy and conversion to new chemical feed systems. O&M costs will increase significantly in 2014, with implementation of the Granular Activated Carbon Facility at the Wyckoff Plant, which is used to meet requirements of the Disinfection By-Products Rule.

- An update to the System Hydraulic Model was finished in 2013 and an Energy Optimization Study is planned to begin in 2014. Results of the Energy Optimization Study will be used for future capital planning and to seek efficiencies in power required for pumping and other plant operations.

- The Finance Division, in coordination with independent consultants and other CCMWA Divisions, plans to issue an RFP for computerized maintenance management software (CMMS) to replace CCMWA's existing CMMS in 2014. The new software will enable interface with other CCMWA software platforms including, but not limited to, GIS and financial software. The integrated software system will enable better information sharing, improve communication efficiencies, and improve CCMWA's Asset Management program through enhanced asset tracking and condition assessment.

- The engineering staff plans to begin development of a Design Guidance Manual to standardize design criteria for capital improvements, as well as asset renewal and replacement projects. Standardization of general design criteria will enable CCMWA to better disseminate design expectations to consultants and contractors, while ensuring uniform equipment and processes across all CCMWA facilities.

- The engineering staff will continue to employ an *"in situ*" method of testing existing pre-stressed concrete cylinder pipe in the transmission system during 2014. The results will be utilized to forecast replacement of the pipelines based on actual conditions.

- Fifty-six Asset Renewal and Replacement projects/purchases are budgeted with a total appropriation of $4,926,000.

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, 2013

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 8,143,270
Receivables:	
Accounts	5,098,003
Restricted assets:	
Cash and cash equivalents	28,220,961
Investments	98,513,263
Accrued interest receivable	320,106
Intergovernmental receivable	192,654
Prepaid items	154,276
Inventory	1,677,945
Total current assets	142,320,478
NON-CURRENT ASSETS	
Capital assets:	
Land	24,393,773
Buildings	26,622,671
Utility plant & distribution lines	412,359,364
Furniture and fixtures	111,780
Machinery and equipment	80,179,302
Vehicles	1,903,121
Construction in progress	5,177,627
	550,747,638
Less accumulated depreciation	149,593,578
Total capital assets, net of accumulated depreciation	401,154,060
Other assets:	
Net pension asset	969,107
Total non-current assets	402,123,167
Total assets	544,443,645
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	2,393,836
Total deferred outflows of resources	2,393,836

See Notes to Financial Statements.

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	$ 2,497,068
Compensated absences payable	548,527
Accrued expenses and other liabilities	236,482
	3,282,077
Payable from restricted assets:	
Retainage payable	2,919,444
Revenue bonds payable	4,035,000
Notes payable	1,225,249
Accrued interest payable	470,042
	8,649,735
Total current liabilities	11,931,812
LONG-TERM LIABILITIES	
Compensated absences payable	1,468,643
Notes payable	54,218,247
Revenue bonds payable, net	37,210,517
Total long-term liabilities	92,897,407
Total liabilities	104,829,219
NET POSITION	
Net investment in capital assets	303,939,439
Restricted for debt service	695,480
Restricted for capital projects	125,888,810
Unrestricted	11,484,533
Total net position	$ 442,008,262

COBB COUNTY-MARIETTA WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2013

Operating revenues:	
Charges for services:	
Water sales and testing	$ 69,314,666
Total operating revenues	69,314,666
Operating expenses:	
General expenses	1,661,445
Administration	552,544
Finance	329,877
Operations	143,195
Engineering division	1,082,671
Human resources	50,881
Information technology	191,309
Safety and security	184,063
Research and development	1,265,607
Hickory Log Creek division	314,081
Wyckoff Plant division	7,036,782
Quarles Plant division	8,103,217
Laboratory	974,934
Transmission	1,606,697
Depreciation	16,655,105
Total operating expenses	40,152,408
Operating income	29,162,258
Non-operating revenues (expenses):	
Interest income	1,464,502
Loss on market value of investments	(4,716,259)
Interest expense and fiscal charges	(3,873,321)
Rental income	116,764
Total non-operating revenues (expenses), net	(7,008,314)
Change in net position	22,153,944
Net position, beginning of year, restated	419,854,318
Net position, end of year	$ 442,008,262

See Notes to Financial Statements.

COBB COUNTY-MARIETTA WATER AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 69,910,839
Payments for goods and services	(15,073,638)
Payments to employees	(7,323,807)
Net cash provided by operating activities	47,513,394
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for purchases and construction of capital assets	(22,935,789)
Principal payments on long-term borrowings	(5,028,537)
Interest paid on long-term borrowings	(4,121,010)
Net cash used in capital and related financing activities	(32,085,336)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(36,773,519)
Proceeds from sales of investments	19,562,796
Rents received	116,764
Interest received	1,454,181
Net cash used in investing activities	(15,639,778)
Net decrease in cash and cash equivalents	(211,720)
Cash and cash equivalents:	
Beginning of year	36,575,951
End of year	$ 36,364,231
Classified as:	
Cash and cash equivalents	$ 8,143,270
Restricted cash and cash equivalents	28,220,961
	$ 36,364,231

Continued

COBB COUNTY-MARIETTA WATER AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 29,162,258
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	16,655,105
Changes in assets and liabilities:	
Decrease in accounts receivable	762,089
Increase in restricted intergovernmental receivable	(165,916)
Increase in inventory	(47,922)
Increase in prepaid items	(154,276)
Increase in net pension asset	(125,017)
Increase in accounts payable	1,332,819
Increase in compensated absences	53,750
Increase in accrued expenses and other liabilities	40,504
Net cash provided by operating activities	$ 47,513,394
NONCASH INVESTING ACTIVITIES	
Decrease in fair value of investments	$ 4,716,259

See Notes to Financial Statements.

NOTE 1. NATURE OF BUSINESS AND 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) one member is the chairperson of the Board of Commissioners of Paulding County, Georgia; (5) three 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 three 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 one member 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.

Investments are stated at fair value.

Restricted Assets:

Certain proceeds of the revenue bonds as well as certain resources set aside for their repayment, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 only has one item 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.

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 Pension Asset:

The amount reported as net pension asset in the Statement of Net Position is the cumulative difference between annual pension cost and the Authority's contributions to the Defined Benefit Pension Plan.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Construction in Progress	> $1	Various
Land and Land Improvements	> $1	Various
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, 2013 the Authority did not capitalize any interest.

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 pay or time off.

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2013, are summarized as follows:

As reported in the Statement of Net Position

Cash and cash equivalents	$	8,143,270
Restricted:		
Cash and cash equivalents		28,220,961
Investments		98,513,263
	$	134,877,494
Cash deposited with financial institutions	$	60,018,108
Georgia Fund 1		4,785,471
U.S. Government Agencies		70,073,915
	$	134,877,494

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. As of December 31, 2013, the Authority did not have any deposits which were uninsured or under collateralized, as defined by State statutes.

Credit Risk. State statutes authorize the Authority to invest in obligations of the United States, State of Georgia or other political subdivisions of the State of Georgia, and other states; prime bankers' acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAf rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. 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 ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share value. The fair value of the Authority's position in the pool is the same as the value of pool shares ($1 per share value). The regulatory oversight agency for Georgia Fund 1 is the State Treasurer of the State of Georgia. The Authority has classified the Georgia Fund 1 funds as cash and cash equivalents. Therefore, unrestricted and restricted cash includes $4,785,471 in Georgia Fund 1.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Authority has an investment policy that limits investments to the third highest long-term rating and second highest short-term rating of Fitch Ratings, Moody's Investors Services, or Standard & Poor's Rating Services. As of December 31, 2013, the Georgia Fund 1 had a weighted average maturity of 59 days and a credit rating of AAAf. In addition, the Authority's $70,073,915 of U.S. Government Agencies securities as noted in the following tabular presentation were noted to have a quality rating of AA+. The reporting of investments at fair value resulted in an unrealized loss of $4,716,259 for the year ended December 31, 2013.

At December 31, 2013, the Authority had the following investments (including certain cash equivalents):

		Investments Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1- 5**	**5 - 10**	**10 - 15**
Certificates of Deposit	$ 28,439,348	$ 12,619,500	$ 15,819,848	$ -	$ -
U.S. Government Agencies	70,073,915	-	35,866,000	11,067,400	23,140,515
Total	$ 98,513,263	$ 12,619,500	$ 51,685,848	$ 11,067,400	$ 23,140,515

Interest Rate Risk. As a means of limiting its exposure to undue risks or market fluctuations, the Authority's investment policy limits maturities on individual investments as follows:

Revenue Fund Account – 90 days
Sinking Fund Account – One (1) year
Renewal and Extension Fund – 65% to five (5) years or less
Project Fund Account – Three (3) years

NOTE 3. RECEIVABLES

Receivables consisted of the following at December 31, 2013:

Receivables:	
Accounts	$ 5,098,003
From restricted assets:	
Interest	320,106
Intergovernmental	192,654
Gross receivables	$ 5,610,763

Restricted intergovernmental receivables consisted of $192,654 due from the City of Canton for their share of the Hickory Log Creek Reservoir Project.

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2013 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 23,785,309	$ -	$ -	$ 608,464	$ 24,393,773
Construction in progress	82,339,140	18,619,424	-	(95,780,937)	5,177,627
Total	106,124,449	18,619,424	-	(95,172,473)	29,571,400
Capital assets, being depreciated:					
Buildings	6,456,851	-	-	20,165,820	26,622,671
Utility plants/distribution lines	379,259,617	-	-	33,099,747	412,359,364
Machinery and equipment	37,959,064	313,332	-	41,906,906	80,179,302
Furniture and fixtures	111,780	-	-	-	111,780
Vehicles	1,795,070	166,920	(58,869)	-	1,903,121
Total	425,582,382	480,252	(58,869)	95,172,473	521,176,238
Less accumulated depreciation for:					
Buildings	(1,145,113)	(383,220)	-	-	(1,528,333)
Utility plants/distribution lines	(119,618,230)	(12,800,521)	-	-	(132,418,751)
Machinery and equipment	(10,956,507)	(3,286,800)	-	-	(14,243,307)
Furniture and fixtures	(107,519)	(1,133)	-	-	(108,652)
Vehicles	(1,169,973)	(183,431)	58,869	-	(1,294,535)
Total	(132,997,342)	(16,655,105)	58,869	-	(149,593,578)
Total capital assets, being depreciated, net	292,585,040	(16,174,853)	-	95,172,473	371,582,660
Total capital assets, net	$ 398,709,489	$ 2,444,571	$ -	$ -	$ 401,154,060

During 2013, the Authority reclassified certain capital assets between the various depreciable capital asset categories. These reclassifications changed the beginning balances of certain categories but did not change the overall beginning balance of capital assets being depreciated.

NOTE 5. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2013 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 41,820,000	$ -	$ (3,850,000)	$ 37,970,000	$ 4,035,000
Plus unamortized premium	4,063,113	-	(787,596)	3,275,517	-
Revenue bonds, net	45,883,113	-	(4,637,596)	41,245,517	4,035,000
Notes payable	56,622,033	-	(1,178,537)	55,443,496	1,225,249
Compensated absences	1,963,420	745,351	(691,601)	2,017,170	548,527
Total long-term liabilities	$ 104,468,566	$ 745,351	$ (6,507,734)	$ 98,706,183	$ 5,808,776

NOTE 5. LONG-TERM DEBT (CONTINUED)

Revenue Bonds:

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.

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

	Principal	Interest	Total
Fiscal year ending December 31,			
2014	$ 4,035,000	$ 1,717,888	$ 5,752,888
2015	4,240,000	1,516,138	5,756,138
2016	4,450,000	1,304,138	5,754,138
2017	4,680,000	1,081,638	5,761,638
2018	4,870,000	894,438	5,764,438
2019-2021	15,695,000	1,583,713	17,278,713
Total	$ 37,970,000	$ 8,097,953	$ 46,067,953

Notes Payable:

The Authority has certain promissory notes outstanding with the Georgia Environmental Finance Authority (GEFA) for the purpose of funding the construction of the Hickory Log Creek Reservoir with interest rates ranging from 3.81% to 4.10% per annum. As of December 31, 2013, $55,443,496 was outstanding and payments are due each month in the amount of $282,086. The notes mature on December 1, 2038, September 1, 2040, and July 1, 2042, respectively. The debt service requirements to maturity on the Authority's GEFA notes are as follows:

	Principal	Interest	Total
Fiscal year ending December 31,			
2014	$ 1,225,249	$ 2,159,776	$ 3,385,025
2015	1,274,122	2,110,903	3,385,025
2016	1,324,612	2,060,413	3,385,025
2017	1,378,057	2,006,968	3,385,025
2018	1,432,767	1,952,258	3,385,025
2019-2023	8,068,250	8,856,878	16,925,128
2024-2028	9,811,645	7,113,483	16,925,128
2029-2033	11,933,023	4,992,105	16,925,128
2034-2038	14,510,681	2,412,020	16,922,701
2039-2042	4,485,090	334,844	4,819,934
Total	$ 55,443,496	$ 33,999,648	$ 89,443,144

NOTE 6. DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority's defined benefit plan, the Cobb County-Marietta Water Authority Retirement Plan (CCMWARP), provides retirement benefits to its participants and persons or entities entitled to receive a retirement benefit upon the death of a participant. The CCMWARP is a single employer defined benefit pension plan that covers all full-time employees who are employed by and receive compensation from the Authority. Appointed or elected members of the Authority are not eligible. The Authority's Board of Directors established the Plan's benefit provisions and contribution requirements and any amendments to such must be approved by the Board. A third-party administers the CCMWARP. A separate stand-alone financial report is not issued by the Plan.

At January 1, 2014, the date of the most recent actuarial valuation, there were 155 participants consisting of the following:

Inactive participants receiving benefits	36
Terminated members entitled to but not yet receiving benefits	8
Active plan members:	
Vested	66
Non-Vested	45
Total	155

All pensioners on December 30, 1992 receive up to a 3% per annum cost of living adjustment in their benefits which is based on the Department of Labor CPI index as of January 31st of each year.

Funding Policy

The primary sources of income for this Plan are investment earnings and contributions made by the Authority. The Authority contributed $200,000 per quarter during 2013 to the Plan for a total of $800,000. Any contributions in excess of the annual required contributions are accumulated in the Contribution Surplus Account which is controlled by the Authority's third-party administrator and is drawn upon when actual contributions fall below the annual required contribution. The net contribution surplus balance or net pension asset was $967,107 as of December 31, 2013. For January 1, 2014, the actuarially determined contribution rate is 10.72% of covered payroll or $739,780 compared to 11.45% of covered payroll or $740,481 for the Plan Year beginning January 1, 2013.

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

For the year ended December 31, 2013, the Authority's recommended contributions were $740,481 while the actual contributions were $800,000. The recommended contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal cost method. Actuarial assumptions include a 7.5% rate of return on investments and projected salary increases of 5.0%. The actuarial value of the plan assets is used for determining the contribution requirements while the market value of assets is used for measuring the funded status of the Plan. The actuarial valuation method is the difference in the expected return and the actual return spread evenly over 5 years, adjusted if necessary to within 20% of market value.

Annual Pension Cost

The Authority's annual pension cost and net pension obligation (asset) for the pension plan and related assumptions for the plan year ended December 31, 2013 are as follows:

Annual required contribution	$ 740,481
Interest on net pension obligation (asset)	(92,764)
Adjustments to annual required contribution	27,266
Annual pension cost	674,983
Contributions made	800,000
Increase in net pension obligation (asset)	(125,017)
Net pension obligation (asset), beginning of year	(844,090)
Net pension obligation (asset), end of year	$ (969,107)

Basis of Valuation		
Current and Recent Valuation Date	January 1, 2013	January 1, 2014
Future Rate of Net Investment Return	7.5%	7.5%
Projected Annual Salary Increases	5.0%	5.0%
Expected Annual Inflation	3.0%	3.0%
Cost of Living Adjustments	3.0%	3.0%
Actuarial Value of Assets	5-year weighted index	5-year weighted index
Amortization Method	Entry Age Normal	Entry Age Normal
Remaining Amortization Period	30 years (closed)	30 years (closed)

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost (Continued)

Fiscal Year Ended December 31,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
2013	$ 674,983	$ 800,000	118.5 %	$ (969,107)
2012	687,866	740,000	107.6	(844,090)
2011	658,902	740,000	112.3	(791,956)

The following is a schedule of funding progress, using the entry age actuarial cost method.

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1)/(2)	(4) Unfunded (2)-(1)	(5) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2014	$ 24,579,374	$ 26,277,061	93.54%	$ 1,697,687	$ 6,899,710	24.61%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

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 revision 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 January 1, 2014.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

For the year ended December 31, 2013, contractual commitments on uncompleted contracts were $5,760,250.

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.

The Authority is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

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. PRIOR PERIOD ADJUSTMENT

Management of the Authority has determined that a restatement of beginning net position is necessary to properly report pipe yard inventory acquired in prior periods. These items should have been recorded as inventory at the time of acquisition but were improperly accounted for as expenses of the Authority thus leading to the understatement of net position reported in prior periods. The adjustment to record this inventory resulted in changes to the beginning net position as follows:

Net position, previously reported	$ 418,224,295
Restatement to record inventory acquired in prior periods	1,630,023
Beginning net position, restated	$ 419,854,318

REQUIRED SUPPLEMENTARY INFORMATION

COBB COUNTY-MARIETTA WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2014	$ 24,579,374	$ 26,277,061	$ 1,697,687	93.5%	$ 6,899,710	24.6%
1/1/2013	21,992,642	24,791,731	2,799,089	88.7%	6,469,029	43.3%
1/1/2012	20,964,106	23,805,211	2,841,105	88.1%	6,159,167	46.1%
1/1/2011	20,264,745	22,532,973	2,268,228	89.9%	5,717,773	39.7%
1/1/2010	19,415,125	21,506,271	2,091,146	90.3%	5,641,194	37.1%
1/1/2009	18,055,215	20,215,335	2,160,120	89.3%	5,132,691	42.1%

Note: See assumptions used for the Schedule of Funding Progress in Note 6 to the financial statements.

COBB COUNTY-MARIETTA WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Year Ended	Annual Required Contribution (ARC)	Employer Contribution	Percentage of ARC Contributed
December 31, 2013	$ 740,481	$ 800,000	108 %
December 31, 2012	747,005	740,000	99
December 31, 2011	713,203	740,000	104
December 31, 2010	692,355	740,000	107
December 31, 2009	752,390	700,000	93
December 31, 2008	605,230	475,000	78

Note: See assumptions used for the Schedule of Employer Contributions in Note 6 to the financial statements.

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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 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, 2013, 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 7, 2014.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2013-001, to be a material weakness.

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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*.

Cobb County-Marietta Water Authority's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 7, 2014

COBB COUNTY-MARIETTA WATER AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	X yes	___ no
Significant deficiencies identified not considered to be material weaknesses?	___ yes	X none reported
Noncompliance material to financial statements noted?	___ yes	X no

Federal Awards

There was not an audit of major federal programs performed as expenditures of federal awards did not exceed the $500,000 threshold for the year ended December 31, 2013.

Section II – Financial Statement Findings and Responses

2013-001 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the Authority.

Condition: Internal controls were not sufficient to timely detect a material misstatement in the Authority's financial statements for the year ended December 31, 2012.

Context/Cause: During the year ended December 31, 2013, a material misstatement was identified by management that caused the need to restate opening net position (equity) for the year ended December 31, 2013. The nature and magnitude of this correction is as follows:

- The Authority's pipe yard at the Wyckoff Plant holds inventory assets which were improperly expensed during the periods in which they were acquired. Generally accepted accounting principles (GAAP) and the Authority's accounting policies state that these items should have been recorded as assets when purchased and subsequently expensed when used.

Effects: An audit adjustment of $1,630,023 was needed to correctly report opening net position of the Authority for the value of inventory held at December 31, 2012.

Recommendation: We recommend the Authority carefully review the financial statements and applicable reporting requirements under GAAP to ensure that all information and financial data is properly reported.

Auditee's Response: We concur with the finding. We will take the necessary steps in the future to ensure that balances reported in the financial statements properly reflects all transactions of the Authority in accordance with GAAP and the Authority's accounting policies.

Section III – Federal Award Findings and Questioned Costs

Not applicable