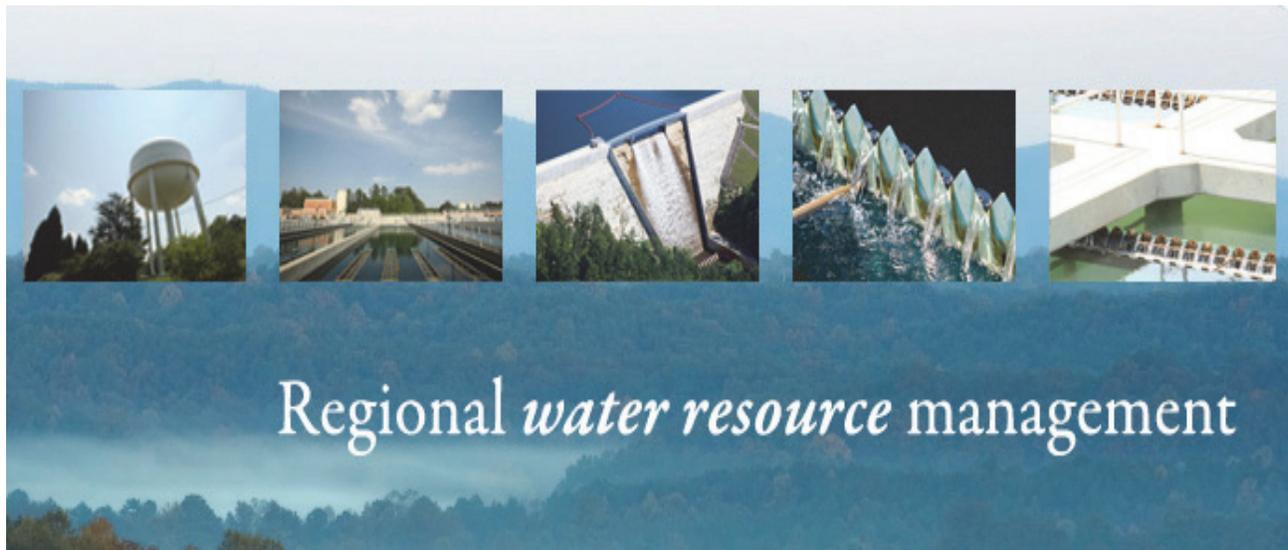


**COBB COUNTY-MARIETTA WATER AUTHORITY
MARIETTA, GEORGIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2014**



**COBB COUNTY-MARIETTA WATER AUTHORITY
MARIETTA, GEORGIA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2014

**Prepared by:
Finance Division**

**Cole E. Blackwell
Director of Finance**

INTRODUCTORY SECTION

COBB COUNTY-MARIETTA WATER AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT DECEMBER 31, 2014

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COBB COUNTY-MARIETTA WATER AUTHORITY

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
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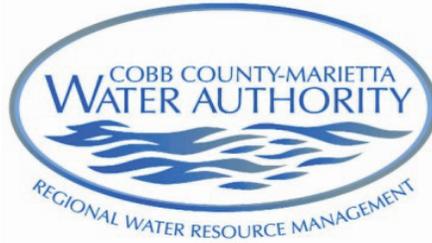
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April 3, 2015

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, 2014. 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 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 Governmental Auditing Standards issued by the Comptroller General of the United States. As a result of the audit, Mauldin and Jenkins has issued an unmodified opinion on the financial statements of CCMWA for the fiscal year ended December 31, 2014. The auditor's report is located in the front of the Financial Section of this report.

In accordance with Generally Accepted Accounting Principles, 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, along with 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 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: 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 who manage the operations 24 hours a day, seven days a week. The dual WTPs provide production flexibility and

reliability for the CCMWA customer service area, and the laboratory ensures drinking water safety and regulatory compliance.

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 enhancements and expansions to meet the growing community's water needs, and is currently permitted to produce 86 million gallons per day. Source water for the Quarles WTP comes from the Chattahoochee River, which is part of the Apalachicola-Chattahoochee-Flint (ACF) River Basin. There are 34 employees at the Quarles WTP, and they 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 operations over the years and is currently permitted to produce 72 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. There is a team of 36 industry professionals at Wyckoff who 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 water quality standards. Certified Laboratory Analysts test approximately 500 water samples each month from raw water sources, 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. 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 eleven 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 seven members, consisting of:

- The Chairman of the Cobb County Board of Commissioners
- The Chairman of the Paulding 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
- Three members selected by a caucus consisting of all members of the General Assembly whose districts are wholly or partially within Cobb County, including: 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 one member 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 mission is to provide reliable, high quality and affordable wholesale drinking water to our region. We strive to act with integrity in employing sustainable business practices, financial and environmental stewardship, and workplace safety, within a culture of continuous improvement. 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.

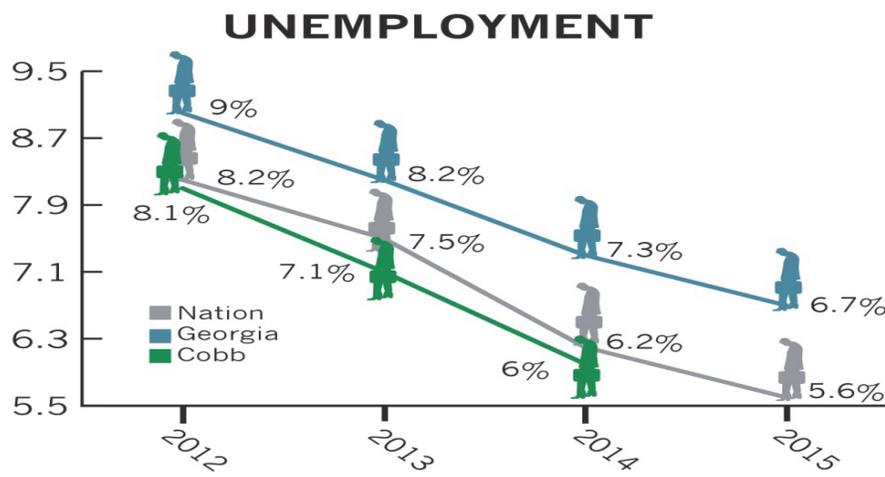
Through 2014, both of CCMWA’s WTPs maintained full regulatory compliance with state and federal regulations and permit requirements. CCMWA’s water transmission system, laboratories and water supply reservoir also remained in full compliance throughout the year. In 2014, both plants received the Georgia Association of Water Professionals (GAWP) Platinum Award, recognizing a minimum of 5 consecutive years of total compliance of water quality, monitoring and reporting requirements, and the Simmons Lab received the GAWP QA/QC Laboratory Award. CCMWA also received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for its 2014 budget document.

Current Economic Environment

Growth had been the hallmark of CCMWA’s service area for several decades prior to the 2007 national economic recession. 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 intends to develop its own drinking water reservoir and water treatment plant. Water sales to Paulding County currently make up approximately 14 percent of CCMWA’s annual revenue, but Paulding is now working to become completely independent of CCMWA by 2022. Because of Paulding’s announcement, beginning in 2015, CCMWA will plan to eliminate future capital improvement projects intended to solely or primarily benefit Paulding County. By making this change in future capital project needs, 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 growth over the last few years, but continues to recover from the “great recession”. The housing industry was hit particularly hard during the recession, but is slowly recovering. Unemployment in Georgia remains higher than the national average, but employment in Cobb County, which is CCMWA’s primary service area, is slightly better than the national average, as depicted in the graph below:



* 2015 numbers are projected; Cobb numbers as of November 2014.

As previously mentioned, CCMWA has experienced reduced water sales over the last several years. Increased rainfall, water conservation efforts, and the increasing cost of water has resulted in decreased consumer demand. For the 2015 budget, CCMWA lowered its projected average water sales per day from 81.5 million gallons per day (MGD) to 80 MGD. Management plans to reevaluate long-term water sales forecasts during the 2016 budgeting process and adjust the capital improvement program accordingly. Because CCMWA is not highly leveraged, reduced water sales have less financial impact on CCMWA than on utilities with a higher debt ratio. 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. For 2015, CCMWA has budgeted \$540,000 in expenses related to the tri-state water dispute. In addition, CCMWA 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 requested USACE to reallocate storage in Allatoona for water supply in 1981, but has yet to receive a decision from USACE.

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. CCMWA's only revenue bond will be paid in full in 2021. Should Paulding County cease to be a customer of CCMWA in 2022, reduced debt service requirements and capital spending should offset reduced revenues.

CCMWA expects modest economic growth and demand for drinking water in its service area in the next five years, and is structuring its capital improvement plan accordingly. CCMWA implemented a 5-year planned rate schedule beginning in 2014, which sets annual rate increases at 4 percent through 2019. This rate program is anticipated to accommodate modest increases in the Consumer Price Index and the Construction Cost Index over the period.

Although CCMWA does not anticipate growth seen in prior years, management sees a fiscally secure future for CCMWA, with responsibly conservative capital improvement planning, modest rate adjustments, and a continued focus on operational efficiency. CCMWA is committed to its vision of excellence and trusted leadership in public water supply and resource management. Authority and employee values listed below contribute to this positive outlook for CCMWA:

- Quality
- Safety
- Honesty and Integrity
- Organizational Excellence
- Continuous Improvement and Learning
- Financial and Environmental Stewardship

Long Term Financial Considerations

The largest impact to cash flow and consequently on rate setting for CCMWA is the capital improvement plan. Below is a snapshot of expected cash flows through 2019:

Year	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Projected Water Demand (MGD)	80	83.4	84.8	86.2	87.6
Anticipated Rate Increase	4.0%	4.0%	4.0%	4.0%	4.0%
Revenues	\$ 80.8	\$ 88.9	\$ 93.2	\$ 98.2	\$103.7
Expenses (Without Depreciation)	29.1	33.0	34.8	36.7	38.6
Net Income	28.2	30.5	31.2	32.6	35.3
Total CIP Spending	55.9	83.9	74.7	44.3	32.0
Ending Cash Balance	<u>\$ 145.3</u>	<u>\$ 107.4</u>	<u>\$ 81.4</u>	<u>\$ 89.0</u>	<u>\$112.4</u>
Targeted Minimum Ending Cash Balance	<u>\$ 42.8</u>	<u>\$ 44.5</u>	<u>\$ 46.3</u>	<u>\$ 48.2</u>	<u>\$ 50.1</u>

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 2019. 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 will begin a multi-year process of replacing its original water treatment plant (Quarles Plant No. 1) in 2015 at an estimated cost of \$53 million. In 2014, CCMWA commenced engineering design of the Southwest Connector Phase I Pipeline, one of its most ambitious transmission pipeline projects, which will supply water from the Quarles WTP to southwest Cobb County and Douglas County. The Southwest Connector is a two-phase project planned to cost approximately \$135 million and take eight years to complete. In addition, CCMWA will begin the Wyckoff WTP Filter Building Rehabilitation and Electrical Improvements Project in 2015, which is expected to span 3 years at a cost of almost \$30 million. Capital Improvement Program spending is estimated at \$55.9 million in 2015, with total capital spending for 2016 through 2019 totaling almost \$235 million.

CCMWA continues to pursue allocation of additional water resources via storage reallocation in Allatoona Lake from USACE. CCMWA is also working to secure water supply from the Hickory Log Creek Reservoir through negotiating 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 a 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.

Acknowledgments

We express our thanks to each division of CCMWA, all of whom have adhered to sound financial practices and contributed 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

Glenn M. Page, P.E.
General Manager
CCMWA

Cole E. Blackwell

Cole E. Blackwell
Director of Finance
CCMWA

CCMWA Board of Directors

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

By Virtue of their Office:

- Chairman of the Cobb County Commission
- Chairman of the Paulding 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
- One member from unincorporated Cobb County



A. Max Bacon
Chairman



David A. Austin
Vice Chairman



Charlie N. Crowder
Secretary



Griffin "Griff" L.
Chalfont



Timothy D. Lee



Dan Buyers

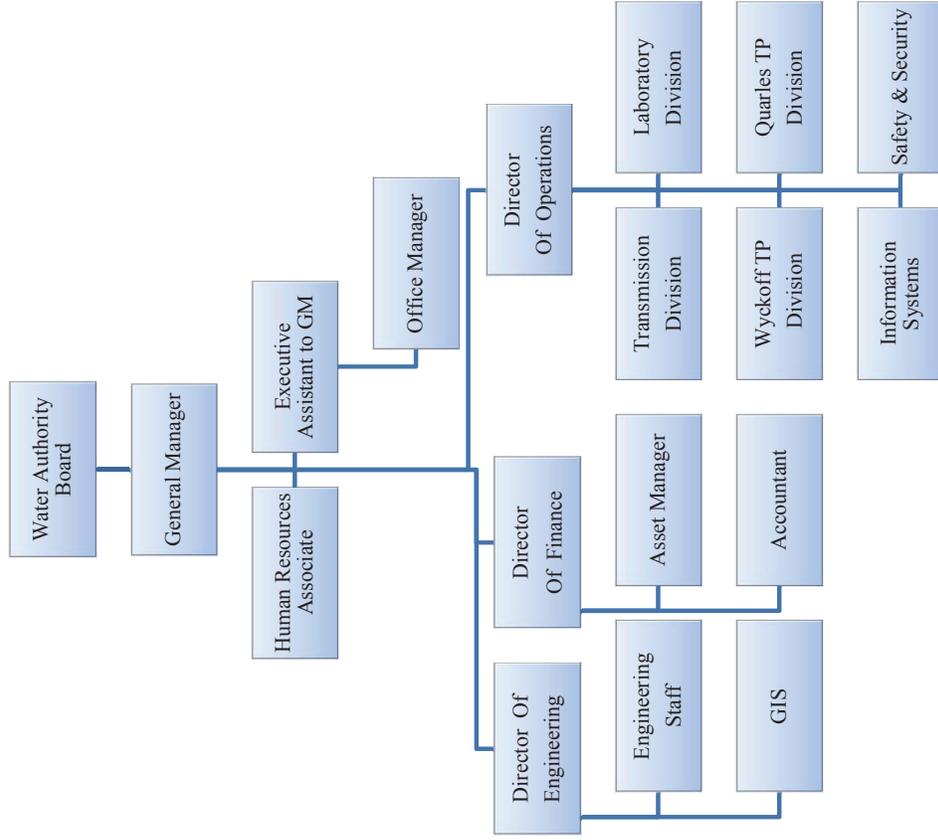


James Scott

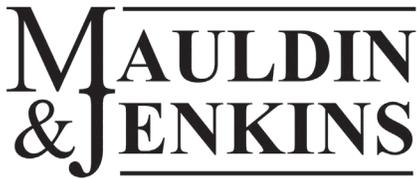
Our vision is to provide trusted leadership in public water supply and resource management.

CCMWA Organizational Chart

Management and Administration



FINANCIAL SECTION



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, 2014, 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, 2014, 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 14) and the Schedule of Funding Progress (on page 31) 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, 2015 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 3, 2015

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 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, 2014. 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 increased 9.2% from \$69.2 million in 2013 to \$75.6 million in 2014, an increase of \$6.4 million. Gallons sold increased from 27.45 billion gallons sold in 2013 to 28.73 billion gallons sold in 2014. The increase in water sales is primarily attributable to a 28% decrease in rainfall year-over-year.
- Operating expenses increased from \$40.2 million in 2013 to \$44.5 million in 2014, an increase of \$4.3 million or 10.7%. The increase in operating expense was largely attributable to a \$2.9 million increase in depreciation expense and increased water treatment costs at the Wyckoff Plant division of \$1.3 million. The Wyckoff Treatment Division substantially completed a \$96.5 million operational and regulatory improvements project in early 2014 which increased depreciation expense.
- Operating income for 2014 was \$31.2 million, compared to \$29.2 million in 2013, representing an increase of \$2.0 million or 6.8%.
- Interest income increased by \$102,000 from \$1.5 million in 2013 to \$1.6 million in 2014.
- Revenue bond debt decreased 11.4% from \$41.2 million in 2013 to \$36.5 million in 2014, representing a decrease of \$4.7 million.
- Georgia Environmental Finance Authority (GEFA) loans outstanding decreased \$3.7 million from \$55.4 million in 2013 to \$51.7 million in 2014.
- Total net position increased by 7.8% from \$442.0 million in 2013 to \$476.5 million in 2014, an increase of \$34.5 million.
- At December 31, 2014, the Authority reported an unrestricted net position of \$172.3 million, from \$137.4 million in 2013, which is an increase of \$34.9 million over prior year.

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Authority Highlights

Highlights for 2014

Construction in Progress:

Projects awarded for design in 2014:

- Southwest Connector Water Main, Phase I
- Wyckoff Filter Building and Electrical Improvements
- West Side Loop 48-inch Water Main Replacement

Projects awarded for construction in 2014:

- Lost Mountain 4MG Ground Storage Tank
- Quarles Backup Power Generation Project
- Highway 41, Phase 4 Tunnel

Projects completed in 2014:

- Wyckoff Regulatory and Operational Improvements
- Hickory Log Creek Reservoir, Operations Office & SCADA System

Other Items:

- Cobb County-Marietta Water Authority's average daily demand increased 4.7% from 2013 to 2014, from 75.21 MGD to 78.71 MGD. Rainfall decreased in CCMWA's service area by approximately 28%, or in excess of 18 inches from 2013 to 2014. Although drought restrictions were lifted in 2009, demands remain suppressed with a continuing focus on conservation and a sluggish economic recovery.
- The Capital Improvement Plan (CIP) and Financial Model were analyzed and revised to reflect asset renewal and replacement needs, revised demand projections and anticipated regulatory requirements. The total value of the revised CIP is \$291 million for the 5-year period, 2015 through 2019.
- The Authority's Finance Division was awarded the Distinguished Budget Presentation Award for its 2014 budget document by the Government Finance Officers Association
- The Authority completed work with Hazen & Sawyer Engineering on a condition assessment study of facilities. Results of the study were used to help develop a 5-year Asset Renewal and Replacement Plan for budget inclusion.
- The Authority's Engineering and Transmission Divisions continued work with Pure Technologies to perform condition assessments on pre-stressed concrete cylinder pipe in the Authority's transmission system.
- Work on the Wyckoff Regulatory and Operational Improvements project was substantially completed after four years of construction and capital expenditures of \$97 million.
- The Authority's Asset Manager implemented a process to replace and update the Computerized Maintenance Management System utilized in operations, which will streamline the work order process, improve record keeping, and facilitate a theoretical reduction in asset lifecycle cost.
- The Laboratory Division performed over 29,725 tests of chemical and bacteriological samples.
- The Wyckoff and Quarles Treatment Divisions received Platinum award recognition from the Georgia Association of Water Professionals for exemplary performance of water treatment plant operations.
- The Authority applied for recovery of sales taxes paid related to capital projects and received a net refund of sales taxes totaling \$1,249,388.
- The Transmission Division began a planned process of pipeline easement clearing, which resulted in approximately 3.5 miles of pipeline easement cleared.

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Other Items (Continued):

- The Transmission Division continued implementation of the valve maintenance program, with 473 valves exercised in the transmission system, and 178 of those valves receiving needed maintenance.
- The Transmission Division received and reviewed approximately 32,206 pipeline location inquiries through the Utilities Protection Center. The division responded to approximately 2,998 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.

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Financial Analysis of the Authority

The Statements of Net Position for 2013 and 2014 are summarized in a Condensed Statement of Net Position. (See Table I). The Authority's net position increased by 7.8% in 2014 as compared to 2013, due primarily to investment of net income in anticipation of capital projects.

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

	2014	2013
<u>Assets:</u>		
Current and Other Assets	\$177.7	\$143.3
Capital Assets	<u>389.6</u>	<u>401.1</u>
Total Assets	<u>567.3</u>	<u>544.4</u>
<u>Deferred Outflows</u>	<u>1.9</u>	<u>2.4</u>
<u>Liabilities:</u>		
Long-Term Debt Outstanding	84.1	92.9
Other Liabilities	<u>8.6</u>	<u>11.9</u>
Total Liabilities	<u>\$92.7</u>	<u>\$104.8</u>
<u>Net Position:</u>		
Net Investment in Capital Assets	303.1	303.9
Restricted	1.1	0.7
Unrestricted	<u>172.3</u>	<u>137.4</u>
Total Net Position	<u>\$476.5</u>	<u>\$442.0</u>

The Statements of Revenues, Expenses and Changes in Net Position for 2014 and 2013 are summarized in a Condensed Statement of Changes in Net Position (See Table II). The Authority achieved an increase in net position of \$34.5 million for the year ended December 31, 2014, which was \$12.3 million more than the \$22.2 million increase achieved for the year ended December 31, 2013. The increase in net position was primarily attributable to expanded water sales as a result of significantly less rainfall in the Authority's service area and a \$3.3 million gain on market value of investments resulting from a positive bond market in 2014.

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Table II Condensed Statement of Changes in Net Position

(Amounts Expressed in Millions of Dollars)

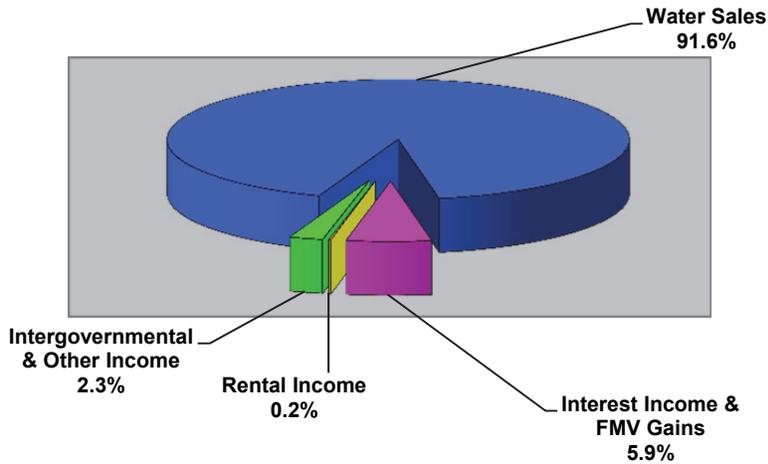
	2014	2013
Revenues:		
Operating Revenue	\$75.7	\$69.3
Interest Income	1.6	1.5
Non-Operating Revenue:		
Intergovernmental Revenues	0.4	-
Rental Income	0.1	0.1
Sales Tax Refunds	1.2	-
Other Income	0.3	-
Gain (Loss) on Market Value of Investments	<u>3.3</u>	<u>(4.7)</u>
Total Revenue	82.6	66.2
Expenses:		
Operating Expenses:		
General Expenses	1.6	1.7
Administration	0.6	0.5
Administration and Rental Buildings	0.1	-
Finance	0.4	0.3
Operations	-	0.1
Engineering Division	1.0	1.1
Human Resources	-	0.1
Information Technology	0.2	0.2
Safety and Security	0.2	0.2
Research and Development	1.2	1.3
Hickory Log Creek Division	0.4	0.3
Wyckoff Plant Division	8.4	7.0
Quarles Plant Division	8.0	8.1
Laboratory	1.0	1.0
Transmission	1.9	1.6
Depreciation	19.5	16.6
Interest Expense	<u>3.6</u>	3.9
Total Expenses	<u>48.1</u>	<u>44.0</u>
Increase in Net Position	\$34.5	\$22.2
Net Position, Beginning of Year	<u>442.0</u>	<u>419.8</u>
Net Position, End of Year	<u>\$476.5</u>	<u>\$442.0</u>

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Revenues

The Authority's total revenue of \$82.6 million reflects an increase in 2014 of \$16.3 million or 25% (See Condensed Statement of Changes in Net Position – Table II). Revenue from Water Sales increased \$6.4 million from the prior year. Interest Income increased \$102,000 from \$1.5 million in 2013 to \$1.6 million in 2014. The adjustment on market value of investments in 2014 was up \$3.3 million compared to the prior year loss of \$4.7 million. In addition, \$1.2 million was recovered in previously paid sales taxes.

2014 Total Revenue by Source

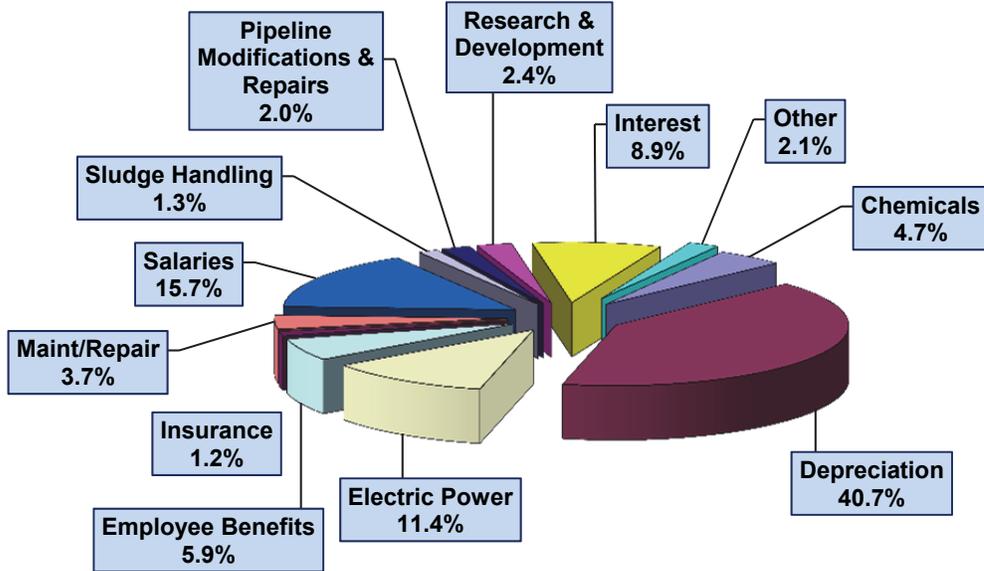


Expenses

The Authority's total expenses for 2014 were \$48.1 million, an increase of \$4.0 million over 2013 total expenses (See Condensed Statement of Changes in Net Position – Table II). Depreciation expense increased \$2.9 million to \$19.5 million in 2014. Salary expenses increased 1.4% year over year to \$7.5 million. Employee benefit costs remained virtually constant at \$2.8 million. Electric power expense increased 7.4% in 2014 to \$5.5 million. Chemical expense increased 42.8% year over year to \$2.3 million due to increased commodity cost, increased chemical usage due to water demand, and regeneration of \$638,000 of granular activated carbon, which is new to the treatment process. Sludge Handling/Residuals Management expenses were \$645,000 representing a 2.8% increase in cost year over year. Research and development expenses remained steady at \$1.2 million in 2014. Insurance expenses were \$585,000 representing a 9.7% increase year over year. Pipeline modifications and repair expense increased 34.5% year over year to \$967,000 in 2014, while general maintenance and repair expense decreased 43.5% to \$1.8 million in 2014. Other expenses increased 6.5% year over year to \$1.0 million.

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

2014 Total Expenses by Source



Budgetary Highlights

The fiscal year 2014 budget was based on projected production of 80.0 million gallons per day (MGD) to generate \$78.0 million in water sales. Actual 2014 production came in below forecast at 78.7 MGD, generating \$75.6 million in water sales revenue, which was \$2.4 million below forecast. Actual division operating expenses exclusive of Research and Development expense of \$43.3 million came in under the 2014 budget of \$47.1 million by \$3.8 million. Research & Development expenditures totaling \$1.3 million for the year were well below the budget of \$2.7 million. The resulting 2014 operating income (including R&D expenses) of \$31.2 million exceeded the \$28.2 million budget by \$3.0 million. Actual interest income was \$568,000 over budget. The 2014 actual change in net position of \$34.5 million was approximately \$9.0 million over the \$25.5 million forecast, due in part to an unrealized gain on fair market value of investments totaling \$3.3 million and operating income exceeding budget expectations by \$3.0 million.

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of 2014, the Authority had \$389.6 million invested in a broad range of capital assets, an \$11.5 million decrease (net of depreciation) over the prior year. During 2014, the Authority invested \$7.9 million in capital assets, but accumulated \$19.5 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

	2014	2013
Land and Easements	\$24,467,996	\$24,393,773
Buildings	25,964,024	25,094,338
Furniture & Fixtures	9,188	3,128
Vehicles	485,854	608,586
Machinery & Equipment	65,947,968	65,935,995
Distribution Lines	102,976,362	106,744,820
Pumping Stations	17,872,912	19,553,715
Treatment Plants	105,012,619	109,482,716
Water Tanks	3,008,645	3,287,281
Water Resources	<u>39,958,238</u>	<u>40,872,081</u>
	385,703,806	395,976,433
Construction in Progress	3,763,043	2,258,183
Retainage on Construction Contracts	<u>162,995</u>	<u>2,919,444</u>
Net Capital Assets	<u>\$389,629,844</u>	<u>\$401,154,060</u>

Debt Administration

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

The Authority had \$84.1 million in outstanding long-term debt (net of current amounts due) at the end of 2014 (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.

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Debt Administration (Continued)

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%. On May 27, 2014, the Phase 2 loan was repaid in full. By August 2013, 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.

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

	2014	2013
Revenue Bonds Payable - Principal	\$33,935,000	\$37,970,000
Unamortized Premium	2,569,284	3,275,517
Less Current Bonds Payable	<u>(4,240,000)</u>	<u>(4,035,000)</u>
Total Revenue Bonds, Long Term	<u>32,264,284</u>	<u>37,210,517</u>
GEFA Loan Payable, Long Term	50,499,563	54,218,247
Compensated Absences Payable, Long Term	<u>1,380,578</u>	<u>1,468,643</u>
Total Outstanding Long-Term Debt	<u>\$84,144,425</u>	<u>\$92,897,407</u>

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Looking forward to 2015

Water Sales and Testing:

- Production forecast – 80.0 MGD
- In-county rate \$2.68/1000 gallons; out-of-county rate \$2.97/1000 gallons

Construction in Progress:

Projects scheduled to continue construction from prior year:

- 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 to begin design:

- Dallas Highway 36-Inch Parallel Pipeline
- Quarles Plant #1 Replacement
- Blackjack Mountain Supply Water Main Replacement (Route Study Only in 2015)

Projects scheduled to begin construction:

- West Side Loop Water Main (48-Inch Replacement Water Main)
- Southwest Connector Water Main Phase I (54-Inch Water Main)
- Wyckoff Water Treatment Plant Filter Building Rehabilitation and Electrical Improvements

Projects scheduled for completion:

- Lost Mountain Storage Tank (4 Million Gallon Finished Water Storage Tank)
- Barnes Mill Road & Interstate 75, Tunnel Casing Extension and Pipe Improvement (GDOT Related)

Sixty-eight small Asset Renewal and Replacement projects or purchases are scheduled for design, construction and completion at a cost of \$3.6 million. The Authority's entire Capital Improvement Program in 2015 is budgeted to expend \$55.9 million, inclusive of Asset Renewal and Replacement projects. The Authority plans to fund all 2015 capital improvements with cash.

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, with sales for 2015 planned to average 80.0 MGD vs 81.5 MGD planned for 2014.
- The Capital Improvement Plan and Financial Model continue to be analyzed and revised to reflect revisions in demand projections and increasing regulatory requirements. A CIP inflation driver of 3% is used 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 advanced treatment technologies. O&M costs should not increase significantly in 2015, as no additional treatment techniques are planned, no additional personnel are planned and source water quality is not anticipated to deteriorate.
- An update to the System Hydraulic Model was finished in 2013 and an Energy Optimization Study is planned to begin in 2015. 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, applied for reimbursement of sales taxes paid by contractors on various capital improvement projects. The Finance Division was notified by the Georgia Department of Revenue that it will receive approximately \$1.3 million (net of fees).

COBB COUNTY-MARIETTA WATER AUTHORITY
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2014

Other Items (Continued)

- The Engineering Division plans to continue working with independent consultants to integrate existing easement plats and documents into the Authority's Geospatial Information System (GIS). This will allow for instant access to easement information through GIS via electronic media.
- The Engineering Division will continue to employ an "*in situ*" method of testing existing pre-stressed concrete cylinder pipe in the transmission system during 2015. The results will be utilized to forecast replacement of the pipelines based on actual conditions.
- The Administrative Division plans to conduct a 5-year review of the Authority's strategic plan and develop renewed goals and objectives to further the Authority's mission to provide reliable, high quality and affordable wholesale drinking water to our region.
- The Authority plans to develop and/or revise its Business Continuity Plan, Vulnerability Assessment, and Communication Management Plan.
- In December 2014, the Authority was informed by the City of Woodstock, that the city is exploring the possibility of constructing and utilizing a well system to supplement its water supply. The city indicated that it could decrease its water demand from the Authority by 50% within two years, if the well system proves to be economically viable. The City of Woodstock accounted for 2% of the Authority's water sales revenue in 2014. The Authority will analyze potential revenue impacts and reduced capital spending plans for service to the City of Woodstock as part of the 2016 budget cycle.

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, 2014

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 45,844,687
Receivables:	
Accounts	6,776,162
Intergovernmental receivable	131,248
Accrued interest receivable	314,664
Investments	120,564,017
Restricted cash and cash equivalents	1,132,336
Prepaid items	130,284
Inventory	<u>1,676,007</u>
Total current assets	<u>176,569,405</u>
 NON-CURRENT ASSETS	
Capital assets:	
Land	24,467,996
Buildings	28,121,592
Utility plant & distribution lines	414,548,042
Furniture and fixtures	119,575
Machinery and equipment	85,585,556
Vehicles	1,906,310
Construction in progress	<u>3,926,038</u>
	558,675,109
Less accumulated depreciation	<u>169,045,265</u>
Total capital assets, net of accumulated depreciation	<u>389,629,844</u>
Other assets:	
Net pension asset	<u>1,145,701</u>
Total non-current assets	<u>390,775,545</u>
Total assets	<u>567,344,950</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	<u>1,877,702</u>
Total deferred outflows of resources	<u>1,877,702</u>

See Notes to Financial Statements.

LIABILITIES	
CURRENT LIABILITIES	
Payable from current assets:	
Accounts payable	\$ 1,628,841
Accrued expenses and other liabilities	276,643
Retainage payable	162,995
Accrued interest payable	171,137
Compensated absences payable	597,834
Notes payable	1,218,226
	<u>4,055,676</u>
Payable from restricted assets:	
Revenue bonds payable	4,240,000
Accrued interest payable	252,690
	<u>4,492,690</u>
Total current liabilities	<u>8,548,366</u>
LONG-TERM LIABILITIES	
Compensated absences payable	1,380,578
Notes payable	50,499,563
Revenue bonds payable, net	32,264,284
	<u>84,144,425</u>
Total long-term liabilities	<u>84,144,425</u>
Total liabilities	<u>92,692,791</u>
NET POSITION	
Net investment in capital assets	303,122,478
Restricted for debt service	1,132,336
Unrestricted	172,275,047
	<u>476,529,861</u>
Total net position	<u>\$ 476,529,861</u>

COBB COUNTY-MARIETTA WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2014

Operating revenues:

Charges for services:

Water sales and testing

\$ 75,661,819

Total operating revenues

75,661,819

Operating expenses:

General expenses

1,635,542

Administration

621,067

Administration and rental buildings

136,170

Finance

356,382

Engineering division

1,047,869

Information technology

243,220

Safety and security

196,239

Research and development

1,167,698

Hickory Log Creek division

344,821

Wyckoff Plant division

8,372,891

Quarles Plant division

7,965,241

Laboratory

1,010,305

Transmission

1,847,542

Depreciation

19,529,618

Total operating expenses

44,474,605

Operating income

31,187,214

Non-operating revenues (expenses):

Interest income

1,566,250

Net increase in the fair value of investments

3,316,553

Interest expense and fiscal charges

(3,593,125)

Intergovernmental revenues

377,117

Rental income

119,904

Sales tax refunds

1,249,388

Other Income

298,298

Total non-operating revenues (expenses), net

3,334,385

Change in net position

34,521,599

Net position, beginning of year

442,008,262

Net position, end of year

\$ 476,529,861

See Notes to Financial Statements.

COBB COUNTY-MARIETTA WATER AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 75,294,454
Payments for goods and services	(18,268,933)
Payments to employees	(7,693,542)
Net cash provided by operating activities	49,331,979

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments for purchases and construction of capital assets	(10,761,851)
Capital contributions received	675,415
Principal payments on long-term borrowings	(7,760,707)
Interest paid on long-term borrowings	(3,829,349)
Net cash used in capital and related financing activities	(21,676,492)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(69,351,302)
Proceeds from sales of investments	50,617,101
Rents received	119,904
Interest received	1,571,602
Net cash used in investing activities	(17,042,695)

Net increase in cash and cash equivalents 10,612,792

Cash and cash equivalents:

Beginning of year	36,364,231
End of year	\$ 46,977,023

Classified as:

Cash and cash equivalents	\$ 45,844,687
Restricted cash and cash equivalents	1,132,336
	\$ 46,977,023

Continued

COBB COUNTY-MARIETTA WATER AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$	31,187,214
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense		19,529,618
Changes in assets and liabilities:		
Increase in accounts receivable		(428,771)
Decrease in restricted intergovernmental receivable		61,406
Decrease in inventory		1,938
Decrease in prepaid items		23,992
Increase in net pension asset		(176,594)
Decrease in accounts payable		(868,227)
Decrease in compensated absences		(38,758)
Increase in accrued expenses and other liabilities		40,161
Net cash provided by operating activities	\$	<u>49,331,979</u>

NONCASH INVESTING ACTIVITIES

Increase in fair value of investments	\$	<u>3,316,553</u>
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See Notes to Financial Statements.

COBB COUNTY-MARIETTA WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

NOTES TO FINANCIAL STATEMENTS

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 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.

NOTES TO 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 a 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.

NOTES TO FINANCIAL STATEMENTS

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:

<u>Capital Asset Class</u>	<u>Threshold</u>	<u>Estimated Useful Life</u>
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, 2014 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2014, are summarized as follows:

As reported in the Statement of Net Position

Cash and cash equivalents	\$	45,844,687
Investments		120,564,017
Restricted:		
Cash and cash equivalents		1,132,336
	\$	<u>167,541,040</u>
Cash deposited with financial institutions	\$	92,373,962
Georgia Fund 1		4,791,868
U.S. Government Agencies		70,375,210
	\$	<u>167,541,040</u>

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, 2014, 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 \$4,791,868 in Georgia Fund 1.

NOTES TO FINANCIAL STATEMENTS

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, 2014, the Georgia Fund 1 had a weighted average maturity of 51 days and a credit rating of AA Af. In addition, the Authority's \$70,375,210 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 gain of \$3,316,553 for the year ended December 31, 2014.

At December 31, 2014, the Authority had the following investments (including certain cash equivalents):

Investment Type	Fair Value	Investments Maturities (In Years)			
		Less Than 1	1 - 5	5 - 10	10 - 15
Certificates of Deposit	\$ 50,188,807	\$ 24,983,615	\$ 25,205,192	\$ -	\$ -
U.S. Government Agencies	70,375,210	-	36,921,850	9,722,700	23,790,660
Total	\$ 120,564,017	\$ 24,983,615	\$ 62,127,042	\$ 9,722,700	\$ 23,790,660

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, 2014:

Receivables:	
Accounts	\$ 6,776,162
Intergovernmental	131,248
Accrued interest	314,664
Total receivables	\$ 7,222,074

Intergovernmental receivables consisted of \$131,248 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 24,393,773	\$ -	\$ -	\$ 74,223	\$ 24,467,996
Construction in progress	5,177,627	8,005,402	-	(9,256,991)	3,926,038
Total	<u>29,571,400</u>	<u>8,005,402</u>	<u>-</u>	<u>(9,182,768)</u>	<u>28,394,034</u>
Capital assets, being depreciated:					
Buildings	26,622,671	-	-	1,498,921	28,121,592
Utility plants/distribution lines	412,359,364	-	-	2,188,678	414,548,042
Machinery and equipment	80,179,302	-	(23,382)	5,429,636	85,585,556
Furniture and fixtures	111,780	-	-	7,795	119,575
Vehicles	1,903,121	-	(54,549)	57,738	1,906,310
Total	<u>521,176,238</u>	<u>-</u>	<u>(77,931)</u>	<u>9,182,768</u>	<u>530,281,075</u>
Less accumulated depreciation for:					
Buildings	(1,528,333)	(629,235)	-	-	(2,157,568)
Utility plants/distribution lines	(132,418,751)	(13,300,515)	-	-	(145,719,266)
Machinery and equipment	(14,243,307)	(5,417,663)	23,382	-	(19,637,588)
Furniture and fixtures	(108,652)	(1,735)	-	-	(110,387)
Vehicles	(1,294,535)	(180,470)	54,549	-	(1,420,456)
Total	<u>(149,593,578)</u>	<u>(19,529,618)</u>	<u>77,931</u>	<u>-</u>	<u>(169,045,265)</u>
Total capital assets, being depreciated, net	<u>371,582,660</u>	<u>(19,529,618)</u>	<u>-</u>	<u>9,182,768</u>	<u>361,235,810</u>
Total capital assets, net	<u>\$ 401,154,060</u>	<u>\$ (11,524,216)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,629,844</u>

NOTE 5. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 37,970,000	\$ -	\$ (4,035,000)	\$ 33,935,000	\$ 4,240,000
Plus unamortized premium	3,275,517	-	(706,233)	2,569,284	-
Revenue bonds, net	<u>41,245,517</u>	<u>-</u>	<u>(4,741,233)</u>	<u>36,504,284</u>	<u>4,240,000</u>
Notes payable	55,443,496	-	(3,725,707)	51,717,789	1,218,226
Compensated absences	<u>2,017,170</u>	<u>769,768</u>	<u>(808,526)</u>	<u>1,978,412</u>	<u>597,834</u>
Total long-term liabilities	<u>\$ 98,706,183</u>	<u>\$ 769,768</u>	<u>\$ (9,275,466)</u>	<u>\$ 90,200,485</u>	<u>\$ 6,056,060</u>

NOTES TO FINANCIAL STATEMENTS

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:

Fiscal year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,010,000	748,338	5,758,338
2020-2021	<u>10,685,000</u>	<u>835,375</u>	<u>11,520,375</u>
Total	<u>\$ 33,935,000</u>	<u>\$ 6,380,065</u>	<u>\$ 40,315,065</u>

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, 2014, \$51,717,789 was outstanding and payments are due each month in the amount of \$268,971. The notes mature on December 1, 2038 and July 1, 2042, respectively. The debt service requirements to maturity on the Authority's GEFA notes are as follows:

Fiscal year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,218,226	\$ 2,009,428	\$ 3,227,654
2016	1,266,381	1,961,273	3,227,654
2017	1,317,393	1,910,261	3,227,654
2018	1,369,569	1,858,085	3,227,654
2019	1,424,091	1,803,563	3,227,654
2020-2024	8,017,104	8,121,164	16,138,268
2025-2029	9,746,179	6,392,089	16,138,268
2030-2034	11,847,889	4,290,379	16,138,268
2035-2039	12,407,231	1,769,197	14,176,428
2040-2042	<u>3,103,726</u>	<u>172,847</u>	<u>3,276,573</u>
Total	<u>\$ 51,717,789</u>	<u>\$ 30,288,286</u>	<u>\$ 82,006,075</u>

NOTES TO FINANCIAL STATEMENTS

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. The Plan issues a separate stand-alone financial report that can be obtained by contacting the Authority's management at 1170 Atlanta Industrial Drive, Marietta, GA 30066.

At January 1, 2015, the date of the most recent actuarial valuation, there were 155 participants consisting of the following:

Inactive participants receiving benefits	37
Terminated members entitled to but not yet receiving benefits	7
Active plan members:	
Vested	66
Non-Vested	45
Total	<u>155</u>

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 \$210,000 per quarter during 2014 to the Plan for a total of \$840,000. The Authority's contributions are made to an irrevocable trust fund and 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 \$1,145,701 as of December 31, 2014. For January 1, 2015, the actuarially determined contribution rate is 11.92% of covered payroll or \$881,479 compared to 10.72% of covered payroll or \$739,780 for the Plan Year beginning January 1, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

For the year ended December 31, 2014, the Authority's required contributions were \$739,780 while the actual contributions were \$840,000. The required contribution was determined as part of the January 1, 2014 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 and 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, 2014 are as follows:

Annual required contribution	\$ 739,780
Interest on net pension obligation (asset)	(103,614)
Adjustments to annual required contribution	27,240
Annual pension cost	663,406
Contributions made	840,000
Increase in net pension obligation (asset)	(176,594)
Net pension obligation (asset), beginning of year	(969,107)
Net pension obligation (asset), end of year	\$ (1,145,701)

Basis of Valuation

	January 1, 2014	January 1, 2015
Current and Recent Valuation Date	January 1, 2014	January 1, 2015
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	15 years (closed)	14 years (closed)

NOTES TO FINANCIAL STATEMENTS

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)
2014	\$ 663,406	\$ 840,000	126.6 %	\$ (1,145,701)
2013	674,983	800,000	118.5	(969,107)
2012	687,866	740,000	107.6	(844,090)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1)/(2)	(4) Unfunded (2)-(1)	Annual Covered Payroll	Percentage of Covered Payroll
1/1/2015	\$ 27,154,047	\$ 29,429,960	92.27%	\$ 2,275,913	\$ 7,179,574	31.70%

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 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, 2015.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Contractual Commitments:

For the year ended December 31, 2014, contractual commitments on uncompleted contracts were \$20,695,675.

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.

NOTES TO FINANCIAL STATEMENTS

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 twelve 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, 2014, revenues from Cobb County amounted to \$50,515,043 or 66.8% 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, 2014, revenues from Paulding County amounted to \$10,450,961 or 13.8% 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 around 2021 if regulatory permitting is acquired for the County's own reservoir and water treatment facility.

REQUIRED SUPPLEMENTARY INFORMATION

**COBB COUNTY-MARIETTA WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS**

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)
1/1/2015	\$ 27,154,047	\$ 29,429,960	\$ 2,275,913	92.3%	\$ 7,179,574	31.7%
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%

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

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.

Financial Trends	<u>Page</u> 32
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These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.

Revenue Capacity	37
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These schedules contain information to help the reader assess the Authority’s most significant revenue source – water sales and testing revenues.

Debt Capacity	41
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These schedules present information to help the reader assess the affordability of the Authority’s current levels of outstanding debt and the Authority’s ability to issue additional debt in the future.

Demographic and Economic Information	43
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority’s financial activities take place.

Operating Information	45
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These schedules contain service and infrastructure data to help the reader understand how the information in the Authority’s financial report relates to the services the Authority provides and the activities it performs.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Investment in Capital Assets	\$160,275,534	\$177,356,942	\$193,756,994	\$203,964,259	\$212,678,111	\$248,151,230	\$297,306,964	\$291,046,250	\$303,939,439	\$303,122,478
Restricted for Debt Service	603,965	739,153	585,844	685,767	568,204	605,479	636,358	664,646	695,480	1,132,336
Unrestricted	94,761,199	95,230,786	98,638,346	103,188,010	117,022,928	109,291,267	88,844,830	126,513,399	137,373,343	172,275,047
Total Net Position	<u>\$255,640,698</u>	<u>\$273,326,881</u>	<u>\$292,981,184</u>	<u>\$307,838,036</u>	<u>\$330,269,243</u>	<u>\$358,047,976</u>	<u>\$386,788,152</u>	<u>\$418,224,295</u>	<u>\$442,008,262</u>	<u>\$476,529,861</u>

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

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

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues	\$36,687,818	\$40,798,222	\$43,847,613	\$41,800,727	\$53,503,832	\$62,174,419	\$67,441,944	\$72,733,198	\$69,314,666	\$75,661,819
Operating Expenses	21,384,623	24,201,529	26,568,658	27,445,170	30,602,469	32,790,707	37,275,388	38,673,588	40,152,408	44,474,605
Operating Income	15,293,195	16,596,693	17,278,955	14,355,557	22,901,363	29,383,712	30,166,556	34,059,610	29,162,258	31,187,214
Non-Operating Revenue (Expense)	(1,333,162)	1,089,490	1,623,724	501,293	(470,156)	(1,604,979)	(1,426,380)	(2,274,488)	(7,008,314)	3,334,385
Change in Net Position	13,960,033	17,686,183	18,902,679	14,856,850	22,431,207	27,778,733	28,740,176	31,785,122	22,153,944	34,521,599
Net Position - Beginning	241,680,665	255,640,698	274,078,505	292,981,186	307,838,036	330,269,243	358,047,976	386,439,173	419,854,318	442,008,262
Net Position - Ending	\$255,640,698	\$273,326,881	\$292,981,184	\$307,838,036	\$330,269,243	\$358,047,976	\$386,788,152	\$418,224,295	\$442,008,262	\$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.

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

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

<u>FISCAL YEAR</u>	<u>WATER AND LABORATORY REVENUES</u>	<u>TOTAL</u>
2005	\$ 36,687,818	\$ 36,687,818
2006	40,798,222	40,798,222
2007	43,847,613	43,847,613
2008	41,800,727	41,800,727
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

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

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

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General & Administration	\$ 1,417,501	\$ 1,453,679	\$ 3,458,686	\$ 2,495,382	\$ 2,572,338	\$ 2,813,300	\$ 2,943,897	\$ 2,996,304	\$ 3,113,314	\$ 3,188,620
Engineering Division	588,443	646,070	864,671	692,811	868,783	962,571	955,659	977,919	1,082,671	1,047,869
Research & Development	1,029,776	1,130,623	1,127,119	950,072	1,095,593	1,418,459	1,687,406	1,317,730	1,265,607	1,167,698
Hickory Log Creek Reservoir	-	-	-	212,212	305,215	321,358	374,219	315,974	314,081	344,821
Wyckoff Treatment Division	5,737,322	6,299,186	6,379,794	6,342,066	6,735,231	6,908,924	7,676,831	7,536,234	7,036,782	8,372,891
Quarles Treatment Division	5,884,433	6,460,704	6,640,194	6,600,926	7,010,139	7,190,920	7,990,171	7,843,836	8,103,217	7,965,241
Laboratory Division	661,998	745,281	790,064	854,147	911,751	976,776	950,287	958,795	974,934	1,010,305
Transmission Division	809,110	869,896	759,950	916,018	1,243,929	1,363,544	1,476,915	1,722,593	1,606,697	1,847,542
Depreciation	5,266,040	6,596,090	6,548,180	8,381,536	9,859,490	10,834,855	13,220,003	15,004,203	16,655,105	19,529,618
	\$ 21,394,623	\$ 24,201,529	\$ 26,568,658	\$ 27,445,170	\$ 30,602,469	\$ 32,790,707	\$ 37,275,388	\$ 38,673,588	\$ 40,152,408	\$ 44,474,605

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

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

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Interest Income	\$ 2,995,642	\$ 4,015,534	\$ 4,650,736	\$ 3,986,170	\$ 3,263,041	\$ 2,545,833	\$ 1,496,084	\$ 1,233,407	\$ 1,464,502	\$ 1,566,250
Gain (Loss) on Market Value of Investments (1)	-	-	-	-	77,247	-	940,425	20,213	(4,716,259)	3,316,553
Interest Expense & Fiscal Charges	(3,966,030)	(2,912,610)	(3,030,927)	(3,033,367)	(4,062,169)	(3,682,796)	(3,581,503)	(3,586,120)	(3,873,321)	(3,593,125)
Intergovernmental	-	-	44,603	204,665	246,990	-	244,658	-	-	377,117
Rental Income	4,302	4,735	4,735	4,733	4,735	71,643	109,865	127,247	116,764	119,904
Gain (Loss) on Disposal of Capital Assets	(334,806)	15,025	(61,825)	(660,908)	-	(539,659)	(635,909)	(69,235)	-	-
Other Income (Expense)	(32,270)	(33,194)	16,402	-	-	-	-	-	-	1,547,686 (2)
Total Non-Operating Revenues (Expenses), Net	\$ (1,333,162)	\$ 1,089,490	\$ 1,623,724	\$ 501,293	\$ (470,156)	\$ (1,604,979)	\$ (1,426,380)	\$ (2,274,488)	\$ (7,008,314)	\$ 3,334,385

(1) The gain (loss) reported on the market 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.

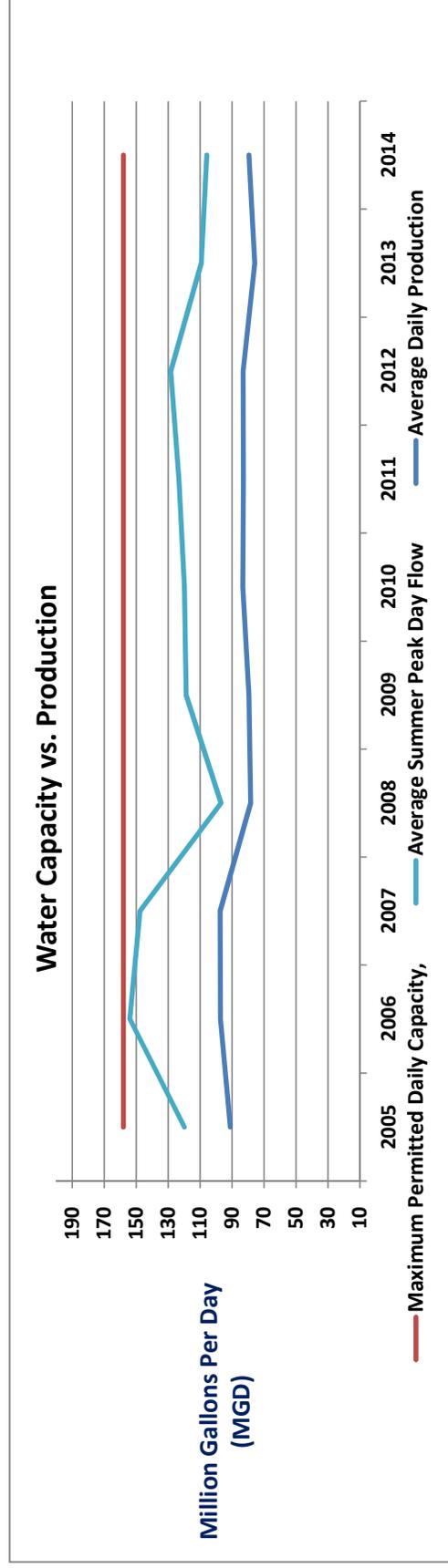
*Source: Cobb County-Marietta Water Authority historical financial records

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

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	91	97	97	78	79	83	83	83	76	79
Percent of Capacity Used	57.59	61.55	61.65	49.51	50.27	52.72	52.46	52.60	47.94	50.25
Average Summer Peak Day Flow	120	154	148	97	119	120	123	128	109	106
Percent of Capacity Used	75.76	97.40	93.44	61.28	75.16	75.84	77.95	81.23	69.18	66.88

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



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

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Wholesale Water Customers										
In-County Governmental Customers	5	5	5	5	5	5	5	5	5	5
In-County Industrial/Private Customers	2	2	2	2	1	1	1	1	1	1
Out-of-County Governmental Customers	6	6	6	6	6	6	6	6	6	6
Out-of-County Industrial/Private Customers	-	-	-	-	-	-	-	-	-	-
	13	13	13	13	12	12	12	12	12	12

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

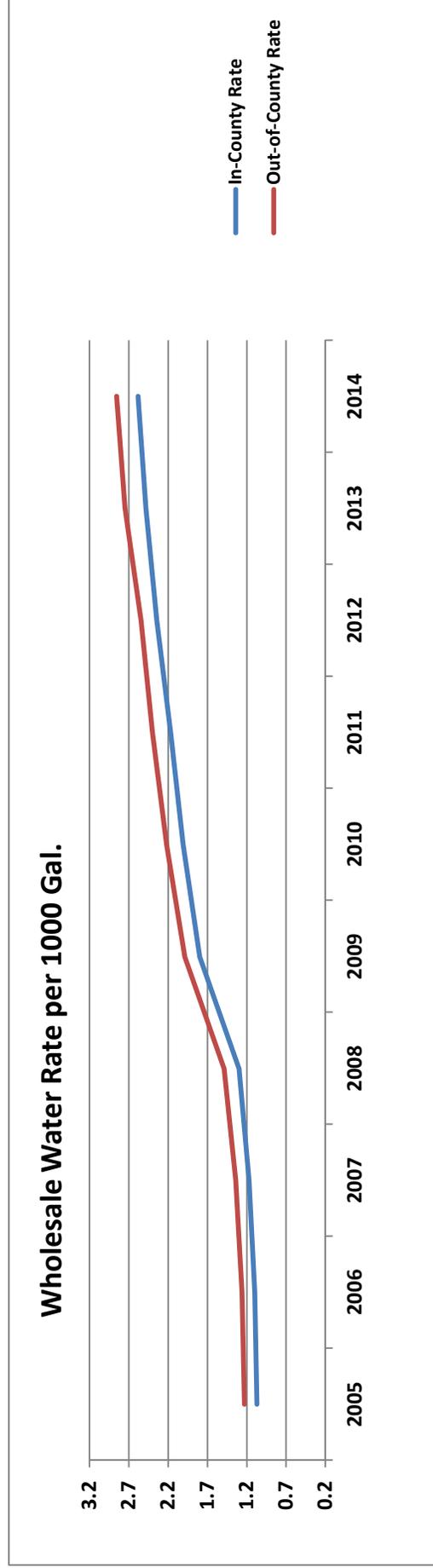
COBB COUNTY-MARIETTA WATER AUTHORITY

WHOLESALE WATER RATES LAST TEN YEARS

Unaudited

Wholesale Water Price Per Thousand Gallons	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Base Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
In-County Rate	1.07	1.10	1.17	1.30	1.80	2.01	2.17	2.34	2.48	2.58
Out-of-County Rate	1.23	1.26	1.34	1.49	1.99	2.22	2.40	2.54	2.75	2.86

*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

	2014		2005	
	Demand in Thousands of Gallons	Revenue	Demand in Thousands of Gallons	Revenue
Cobb County Water System	19,500,612	\$ 50,515,235	22,856,000	\$ 24,811,907
Paulding County (1)	3,654,182	10,450,961	3,350,000	4,175,444
Marietta Board of Lights and Water	2,762,680	7,127,715	3,556,000	3,860,305
City of Smyrna	1,300,370	3,354,955	1,714,000	1,860,676
City of Woodstock	534,561	1,529,936	282,000	351,485
City of Powder Springs	405,990	1,047,454	427,000	463,541
City of Austell	263,782	680,559	350,000	379,951
Lockheed-Martin Corporation	218,844	564,618	485,000	526,504
Douglasville/Douglas County Water Authority	60,809	283,539	4,000	4,986
City of Mountain Park	23,757	69,611	31,000	38,638
Cherokee County Water & Sewerage Authority	2,452	7,037	172,000	214,381
	<u>28,728,039</u>	<u>\$ 75,631,620</u>	<u>33,227,000</u>	<u>\$ 36,687,818</u>

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

Note: 1 - In November 2014, the Authority was informed by Paulding County that the county is planning to stop purchasing water from the Authority around the year 2021 if regulatory permitting is acquired for their reservoir and water treatment facility. For the year ended December 31, 2014, Paulding County accounted for 13.8% of the Authority's water sales revenue.

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
2005	\$ 62,255,000	\$ -	\$ 62,255,000	0.207%	646,750	\$ 96.26
2006	61,211,438	3,944,473	65,155,911	0.210%	661,910	98.44
2007	57,917,089	28,515,649	86,432,738	0.268%	670,440	128.92
2008	54,500,050	35,269,264	89,769,314	0.283%	679,820	132.05
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

***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
2005	\$ 36,687,818	\$ 2,665,138	\$ 16,128,583	\$ 23,224,373	\$ 2,044,493	\$ 3,998,300	\$ 6,042,793				3.84
2006	40,798,222	4,002,100	17,605,439	27,194,883	3,091,267	2,912,610	6,003,877				4.53
2007	43,847,613	4,654,651	20,020,478	28,481,786	3,184,349	3,030,927	6,215,276				4.58
2008	41,800,727	3,534,662	19,063,364	26,272,025	3,287,039	3,033,367	6,320,406				4.16
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

*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

<u>Employer</u>	<u>Industry</u>	<u>2014</u>		<u>2005</u>	
		<u>Employees</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Home Depot	Retail	20,000	5.38%	8,421	1.99%
Cobb County Schools	Government	14,100	3.80%	13,784	3.26%
Wellstar Health System	Healthcare	13,498	3.63%	8,409	1.99%
Lockheed Martin	Aircraft/Defense	6,000	1.62%	7,800	1.85%
Kennesaw State University	Education	5,146	1.39%	3,254	0.77%
Cobb County Government	Government	5,068	1.36%	5,413	1.28%
Publix Super Markets	Retail	3,574	0.96%	3,151	0.75%
Kroger Company	Retail	2,226	0.60%		
Six Flags Over Georgia	Theme Park	2,464	0.66%	2,765	0.65%
Dobbins Air Force Base	Defense			2,359	0.56%
Genuine Parts	Retail			2,000	0.47%
Marietta City Schools	Government	1,151	0.31%		

*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)
2005	646,750	\$ 30,072,010,000	\$ 46,497	4.30%
2006	661,910	31,079,610,000	46,954	4.00%
2007	670,440	32,249,690,000	48,102	3.50%
2008	679,820	31,744,830,000	46,696	6.20%
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%

***Sources:**

(1) Woods and Poole Economics 2013 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Treatment & Water Resources	68	68	68	68	66	69	71	72	72	72
Transmission	10	9	9	9	9	9	10	10	11	11
Laboratory	9	10	10	10	10	10	10	10	10	10
Engineering	6	6	6	6	7	8	9	9	9	9
Administration & Information Systems	6	6	6	7	9	11	11	11	12	12
	<u>99</u>	<u>99</u>	<u>99</u>	<u>100</u>	<u>101</u>	<u>107</u>	<u>110</u>	<u>111</u>	<u>113</u>	<u>113</u>

*Source: Cobb County-Marietta Water Authority historical records

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

Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Quarles Washwater	500	500	500	500	500	500	500	500	500	500
	<u>36,100</u>									
Elevated Tanks:										
Wyckoff Washwater	400	400	400	400	400	400	400	400	400	400
	<u>400</u>									
Storage at Water Plants:										
Quarles Treatment Division	8,000	8,000	8,000	8,000	8,000	8,000	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
	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
Total Water Tank Storage Capacity:	<u>50,500</u>	<u>50,500</u>	<u>50,500</u>	<u>50,500</u>	<u>50,500</u>	<u>50,500</u>	<u>56,500</u>	<u>56,500</u>	<u>56,500</u>	<u>56,500</u>

*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

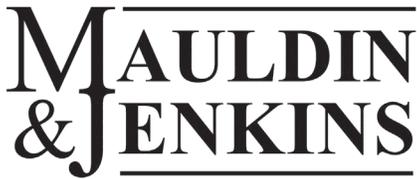
Unaudited

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Raw Water Reservoirs										
Hickory Log Creek Reservoir {% Ownership}	-	-	-	-	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
	4,306,688	4,306,688	4,306,688	4,306,688	8,634,188	8,634,188	8,634,188	8,634,188	8,634,188	8,634,188
Average Daily Flow										
Average Daily Production	91,000	97,000	97,000	78,000	79,000	83,000	83,000	83,000	76,000	79,000
Number of Days Supply	47	44	44	55	109	104	104	104	114	109

*Source: Cobb County-Marietta Water Authority historical records

Note: All storage capacity figures expressed in thousands.

COMPLIANCE SECTION



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

**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, 2014, 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, 2015.

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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
April 3, 2015