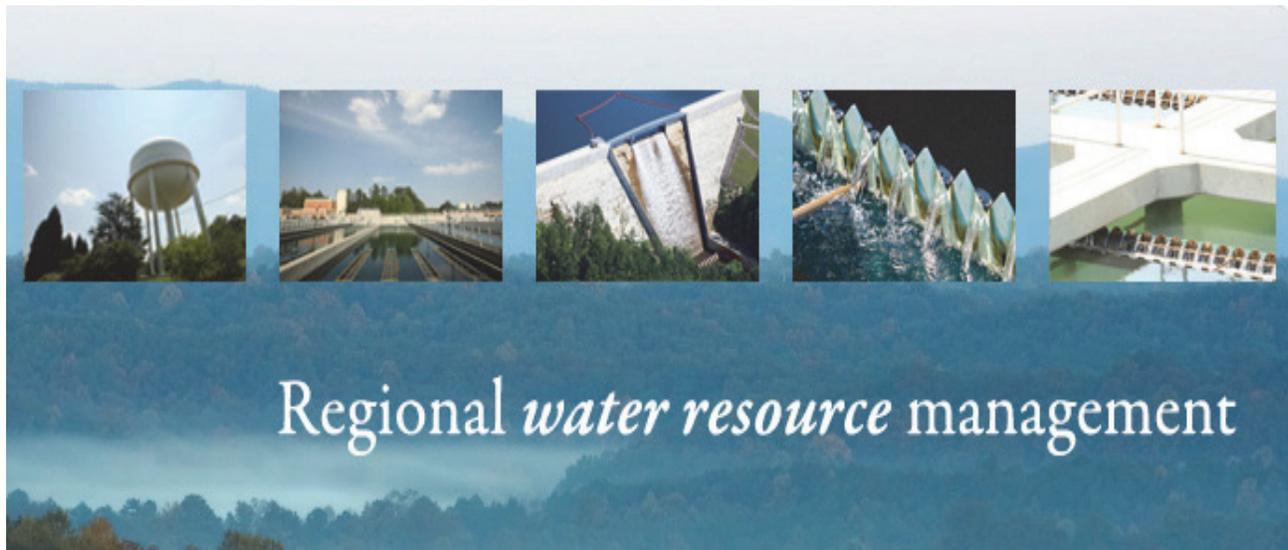


**COBB COUNTY-MARIETTA WATER AUTHORITY  
MARIETTA, GEORGIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2015**



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**Prepared by:  
Finance Division**

**Cole E. Blackwell  
Director of Finance**

## **INTRODUCTORY SECTION**

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# COBB COUNTY-MARIETTA WATER AUTHORITY

## COMPREHENSIVE ANNUAL FINANCIAL REPORT DECEMBER 31, 2015

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# COBB COUNTY-MARIETTA WATER AUTHORITY

## COMPREHENSIVE ANNUAL FINANCIAL REPORT DECEMBER 31, 2015

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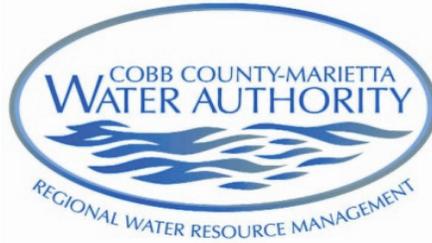
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April 8, 2016

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, 2015. 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, conducted an independent audit of these financial statements in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. As a result of the audit, Mauldin and Jenkins has issued an unmodified opinion on the financial statements of CCMWA for the fiscal year ended December 31, 2015. 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, a list of CCMWA board members, an organizational chart, and the GFOA Certificate of Achievement for Excellence in Financial Reporting comprise the introductory section.

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

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

### **Profile of Cobb County-Marietta Water Authority**

#### **General**

The Cobb County-Marietta Water Authority was created in 1951 by an act of the General Assembly of the State of Georgia and is a political subdivision of the state. CCMWA is unique because it has one primary mission: 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, which are supplied water from two separate river basins 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 drinking water standards. Certified Laboratory Analysts test approximately 500 water samples each month from raw water sources, the two drinking water plants, CCMWA's water transmission pipeline system, and wholesale customers' distribution systems. The Laboratory Division also provides, for a fee, microbiological water testing services to residents who have wells. 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 core purpose is to provide sustainable and reliable drinking water that supports public health, public safety, and economic vitality of the region. Core values inherent at CCMWA include service, stewardship and professionalism. We strive to employ a culture of safety, innovation and transparency. At a minimum, CCMWA staff are expected to act with integrity, inspire trust, and apply the highest levels of technical expertise. We aim to acquire and treat sufficient sources of water for our customers and the communities they serve, while leaving a legacy of sustainable water supplies for generations to come.

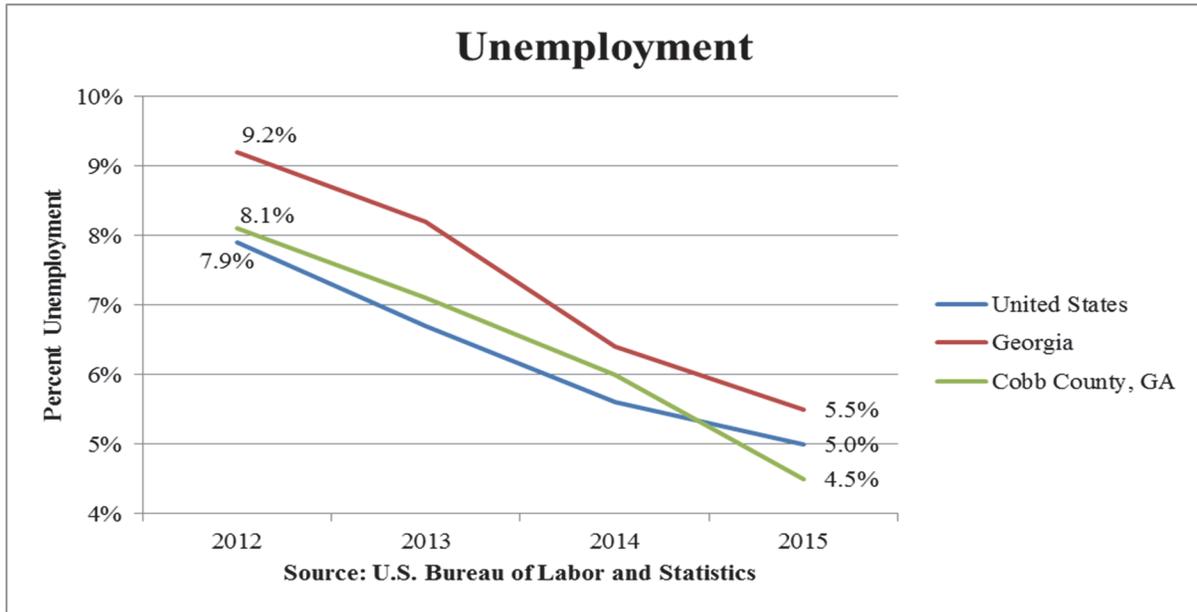
Through 2015, both of CCMWA's WTPs maintained full regulatory compliance with state and federal regulations and permit requirements. CCMWA's water transmission system, laboratories and water supply reservoir also remained in full compliance throughout the year. In 2015, both plants received the Georgia Association of Water Professionals (GAWP) Platinum Award, recognizing a minimum of 5 consecutive years of total compliance of water quality, monitoring and reporting requirements. CCMWA also received the Government Finance Officers Association (GFOA) awards for Distinguished Budget Presentation for its 2014 budget document and the Excellence in Financial Reporting Award for its 2014 CAFR.

### **Current Economic Environment**

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

In late 2014, CCMWA was informed by Paulding County, CCMWA's second largest customer, that the county was accelerating its plans to develop its own drinking water reservoir and water treatment plant. Water sales to Paulding County currently make up approximately 14 percent of CCMWA's annual operating revenue, but Paulding is now working to become essentially independent of CCMWA by 2021. Because of Paulding's announcement, beginning in 2015, CCMWA revised its Capital Improvement Plan to eliminate future capital improvement costs intended to solely or primarily benefit Paulding County. By making this change in future capital investments, CCMWA will minimize the effect that the loss of Paulding County as a customer will have on future net income.

CCMWA's service area has experienced modest growth over the last few years, and continues to recover from the recession. The housing industry has made a significant recovery. Unemployment in Georgia remains slightly 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 graphs on the following page.



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 have resulted in decreased consumer demand. However, gradual strengthening of the economy in CCMWA’s service area has increased base demand for water. For the 2016 budget, CCMWA increased its projected average water sales from 80.0 million gallons per day (MGD) to 80.5 MGD. Management plans to reevaluate long-term water sales forecasts during the 2017 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 2016, CCMWA has budgeted \$150,000 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. However, if rates become favorable, refinancing of existing debt may occur. CCMWA has two debt issues

outstanding: a revenue bond issued in 2009, and a revenue bond issued in 2015 used to refinance previously issued debt. The 2009 revenue bond will be paid in full in 2021. When Paulding County ceases to be a customer of CCMWA in 2021, reduced debt service requirements and capital spending will 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 rate program beginning in 2014, which sets annual rate increases at 4 percent through 2018. 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.

### Long Term Financial Considerations

The largest impact to cash flow, and consequently on revenue needs for CCMWA, is the capital improvement plan. Below is a snapshot of anticipated cash flows through 2020:

<b>Year</b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>
<b>Projected Water Demand (MGD)</b>	80.5	82.1	82.5	82.8	83.2
<b>Anticipated Rate Increase</b>	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Revenues</b>	\$ 84.9	\$ 89.4	\$ 93.4	\$ 97.7	\$102.6
<b>Expenses (Without Depreciation)</b>	29.7	31.0	32.4	34.0	35.6
<b>Net Income</b>	31.2	31.6	32.7	34.6	37.5
<b>Total CIP Spending</b>	113.0	65.6	39.4	23.9	34.7
<b>Ending Cash Balance</b>	<u>\$ 99.7</u>	<u>\$ 83.0</u>	<u>\$ 95.2</u>	<u>\$ 125.6</u>	<u>\$148.5</u>
<b>Targeted Minimum Ending Cash Balance</b>	<u>\$ 43.2</u>	<u>\$ 37.0</u>	<u>\$ 39.3</u>	<u>\$ 45.9</u>	<u>\$ 50.5</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 2020. Furthermore, CCMWA has ample debt capacity (\$400 million approved by the Georgia General Assembly), should financial considerations warrant funding of capital improvements with sources other than cash reserves.

## **Major Initiatives**

CCMWA began a multi-year process of replacing its original water treatment plant (Quarles Plant No. 1) in 2015 at an estimated cost of \$53 million. In 2015, CCMWA commenced construction 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 over eight years of construction. Phase II may be subject to delay, pending actual growth in water demand over the next few years. In addition, CCMWA began 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 \$113 million in 2016, with total capital spending for 2016 through 2020 totaling almost \$277 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 stewardship and financial practices, contributing significantly toward the fiscal stability of CCMWA. Thanks must also be expressed to the CCMWA Board, who diligently considers each decision brought before it and keeps the best interest of both CCMWA and its customers in mind. Responsible and sound direction of the Board has been, and will continue to be, the single most important attribute of CCMWA's financial stability.

Respectfully Submitted,

*Glenn M. Page*

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

*Cole E. Blackwell*

Cole E. Blackwell  
Director of Finance  
CCMWA

## CCMWA Board

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

**By Virtue of their Office:**

- Chairman of the Cobb County Commission
- 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



**Griffin L. Chalfant**  
Chairman



**Charlie N. Crowder**  
Vice Chairman



**Dan Buyers**  
Secretary



**A. Max Bacon**  
Member



**David A. Austin**  
Member



**Timothy D. Lee**  
Member

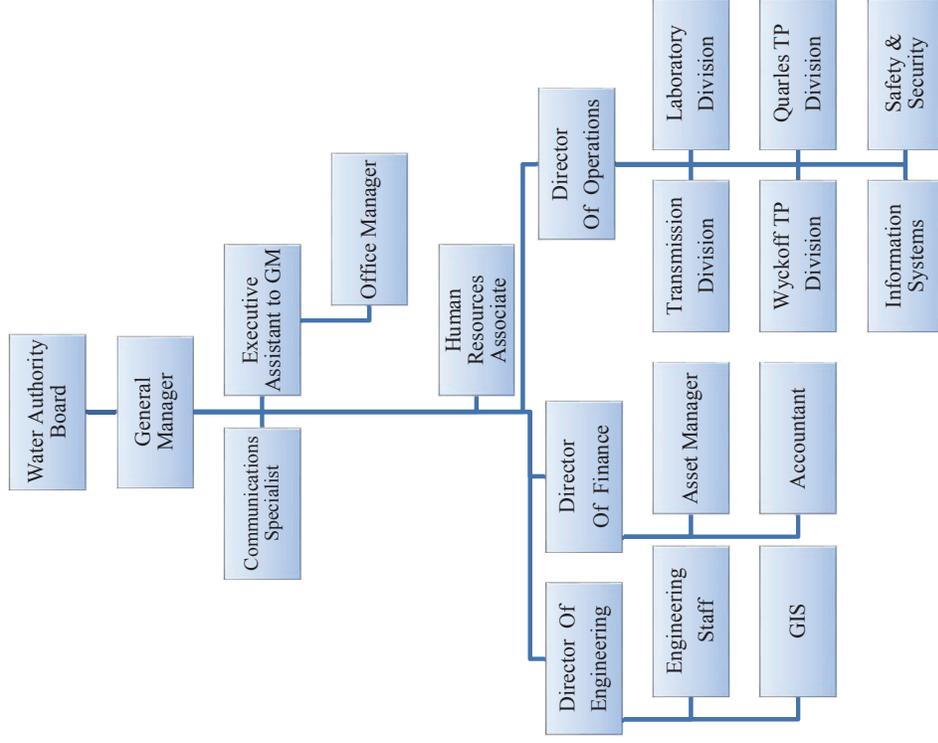


**James Scott**  
Member

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

# CCMWA Organizational Chart

## Management and Administration





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Cobb County-Marietta Water Authority**  
**Georgia**

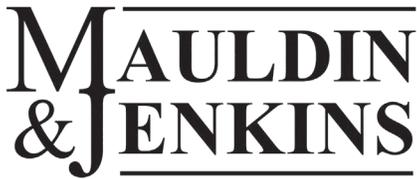
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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**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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cobb County-Marietta Water Authority as of December 31, 2015, 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.

***Emphasis of Matter***

As discussed in Note 6 and Note 11, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as of January 1, 2015. This standard significantly changed the accounting for the Authority's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 13), the Schedule of Changes in the Authority's Net Pension Liability and Related Ratios (on page 34), Schedule of Authority Contributions (on page 35), and the Schedule of Pension Investment Returns (on page 36), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

---

*Other Information*

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

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016 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 8, 2016

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

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**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, 2015. 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 6.2% from \$75.7 million in 2014 to \$80.4 million in 2015, an increase of \$4.7 million. Gallons sold increased 2.5% from 28.73 billion gallons sold in 2014 to 29.45 billion gallons sold in 2015.
- Operating expenses increased from \$44.5 million in 2014 to \$45.1 million in 2015, an increase of \$625,000 or 1.4%.
- Operating income for 2015 was \$35.3 million, compared to \$31.2 million in 2014, representing an increase of \$4.1 million or 13.1%.
- Interest income remained steady at \$1.6 million in 2015.
- Revenue bond debt increased from \$36.5 million in 2014 to \$82.7 million in 2015, representing an increase of \$46.2 million resulting from refinancing Georgia Environmental Finance Authority loans.
- Georgia Environmental Finance Authority (GEFA) loans outstanding of \$51.7 million in 2014 were refinanced with the issuance of Series 2015 Revenue bonds for \$47.3 million in 2015.
- Governmental Accounting Standards Board Statement 68 was implemented in 2015. This resulted in a net pension asset of \$0.6 million in 2014 becoming a \$1.0 million net pension liability in 2015. In addition, the pension fund's investment return was only 0.5% for 2015.
- Total net position increased by 7.1% from \$476.0 million in 2014 (restated) to \$510.0 million in 2015, an increase of \$34.0 million.
- At December 31, 2015, the Authority reported an unrestricted net position of \$185.1 million, compared to \$172.3 million in 2014, which is an increase of \$12.8 million over prior year.

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

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**Authority Highlights**

**Highlights for 2015**

**Construction in Progress:**

Projects awarded for design in 2015:

- Dallas Highway Parallel Water Main
- Blackjack Mountain Water Main Replacement, Route Study
- Quarles Water Treatment Plant No. 1 Replacement

Projects awarded for construction in 2015:

- Southwest Connector Water Main, East Cobb Phase
- Wyckoff Filter Building Rehabilitation & Electrical Improvements
- Highway 41, Phase 4 Water Main
- West Side Loop 48-Inch Water Main Replacement

**Other Items:**

- Cobb County-Marietta Water Authority's average daily demand increased 2.5% from 2014 to 2015, from 78.71 million gallons per day (MGD) to 80.67 MGD. Rainfall increased in CCMWA's service area by approximately 34.5%, or in excess of 13.5 inches from 2014 to 2015.
- The Capital Improvement Plan (CIP) and Financial Model were analyzed and revised to reflect asset renewal and replacement needs, reduced demand projections and anticipated regulatory requirements. The total value of the revised CIP is \$276.6 million for the 5-year period, 2016 through 2020.
- The Authority's Finance Division was awarded the Distinguished Budget Presentation Award for its 2015 budget document and the Certificate of Achievement for Excellence in Financial Reporting for its 2014 Comprehensive Annual Financial Report, both by the Government Finance Officers Association.
- The Authority completed its first ever 10-year outlook for asset renewal and replacement projects, typically defined as routine capital projects with an estimated cost less than \$2.0 million.
- The Engineering and Transmission Divisions continued work with Pure Technologies to perform condition assessments on prestressed concrete cylinder pipe in the Authority's transmission system.
- Construction of an additional 4 million gallon drinking water ground storage tank on Lost Mountain was completed.
- The Authority's Asset Manager developed and implemented a written Asset Management Plan with appendices addressing various asset types, as part of the Authority's effort to reduce life cycle costs and improve planning.
- The Finance Division refinanced outstanding Georgia Environmental Finance Authority loans through issuance of revenue bonds yielding present value interest savings of \$2.7 million.
- The Laboratory Division performed over 14,014 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 Georgia Environmental Protection Division (GAEPD) conducted sanitary surveys at the Wyckoff and Quarles Treatment Divisions in 2015. The Wyckoff Division scored 94.2 and the Quarles Division scored 96.1 out of a possible 100 points. These were the best ever scores received by each division, and fall in the "outstanding category" according to GAEPD.
- The Authority drafted an updated 5-year Strategic Plan for implementation in 2016.

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

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***Other Items (continued):***

- The Transmission Division continued a planned process of pipeline easement clearing, resulting in approximately 7.0 miles of pipeline easement cleared for easy access for inspection and maintenance activities.
- The Transmission Division continued implementation of the valve maintenance program, with 438 valves exercised in the transmission system, and 240 of those valves receiving needed maintenance.
- The Transmission Division received and reviewed approximately 36,000 pipeline location inquiries through the Utilities Protection Center. The division responded to approximately 2,500 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2015**

**Financial Analysis of the Authority**

The Statements of Net Position for 2014 and 2015 are summarized in a Condensed Statement of Net Position. (See Table I). The Authority's net position increased by 7.1% in 2015 as compared to 2014, due primarily to investment of net income in anticipation of investment in future capital projects.

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

	2015	2014
<b><u>Assets:</u></b>		
<b>Current and Other Assets</b>	\$195.9	\$177.7
<b>Capital Assets</b>	<u>407.5</u>	<u>389.6</u>
<b>Total Assets</b>	<u>603.4</u>	<u>567.3</u>
<b><u>Deferred Outflows</u></b>	<u>3.1</u>	<u>1.9</u>
<b><u>Liabilities:</u></b>		
<b>Long-Term Debt Outstanding</b>	79.6	84.6
<b>Other Liabilities</b>	<u>16.8</u>	<u>8.6</u>
<b>Total Liabilities</b>	<u>96.4</u>	<u>93.2</u>
<b><u>Deferred Inflows</u></b>	<u>0.1</u>	-
<b><u>Net Position:</u></b>		
<b>Net Investment in Capital Assets</b>	323.8	303.1
<b>Restricted</b>	1.1	1.1
<b>Unrestricted</b>	<u>185.1</u>	<u>172.3</u>
<b>Prior Year Restatement of Net Position for GASB 68 Implementation</b>	-	<u>(.5)</u>
<b>Total Net Position</b>	<u>\$510.0</u>	<u>\$476.0</u>

The Statements of Revenues, Expenses and Changes in Net Position for 2015 and 2014 are summarized in a Condensed Statement of Changes in Net Position (See Table II). The Authority achieved an increase in net position of \$34.0 million for the year ended December 31, 2015, which was \$500,000 less than the \$34.5 million increase achieved for the year ended December 31, 2014.

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

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

	2015	2014
<b>Revenues:</b>		
Operating Revenue	\$80.4	\$75.7
Interest Income	1.6	1.6
<b>Non-Operating Revenue:</b>		
Intergovernmental Revenues	-	0.4
Rental Income	0.1	0.1
Sales Tax Refunds	-	1.2
Other Income	0.1	0.3
Gain (Loss) on Market Value of Investments	<u>0.6</u>	<u>3.3</u>
<b>Total Revenue</b>	<b>82.8</b>	<b>82.6</b>
<b>Expenses:</b>		
<b>Operating Expenses:</b>		
General Expenses	2.0	1.6
Administration	0.7	0.6
Administration and Rental Buildings	0.1	0.1
Finance	0.4	0.4
Engineering Division	1.1	1.0
Information Technology	0.2	0.2
Safety and Security	0.2	0.2
Research and Development	1.3	1.2
Hickory Log Creek Division	0.4	0.4
Wyckoff Plant Division	8.4	8.4
Quarles Plant Division	7.9	8.0
Laboratory	1.0	1.0
Transmission	1.9	1.9
Depreciation	19.5	19.5
Interest Expense	<u>3.7</u>	<u>3.6</u>
<b>Total Expenses</b>	<b>48.8</b>	<b>48.1</b>
<b>Increase in Net Position</b>	<b>\$34.0</b>	<b>\$34.0</b>
<b>Net Position, Beginning of Year</b>	<b><u>\$476.0</u></b>	<b><u>442.0</u></b>
<b>Prior Year Restatement of Net Position Implementation of GASB 68</b>		<b><u>(0.5)</u></b>
<b>Net Position, End of Year</b>	<b><u>\$510.0</u></b>	<b><u>\$476.0</u></b>

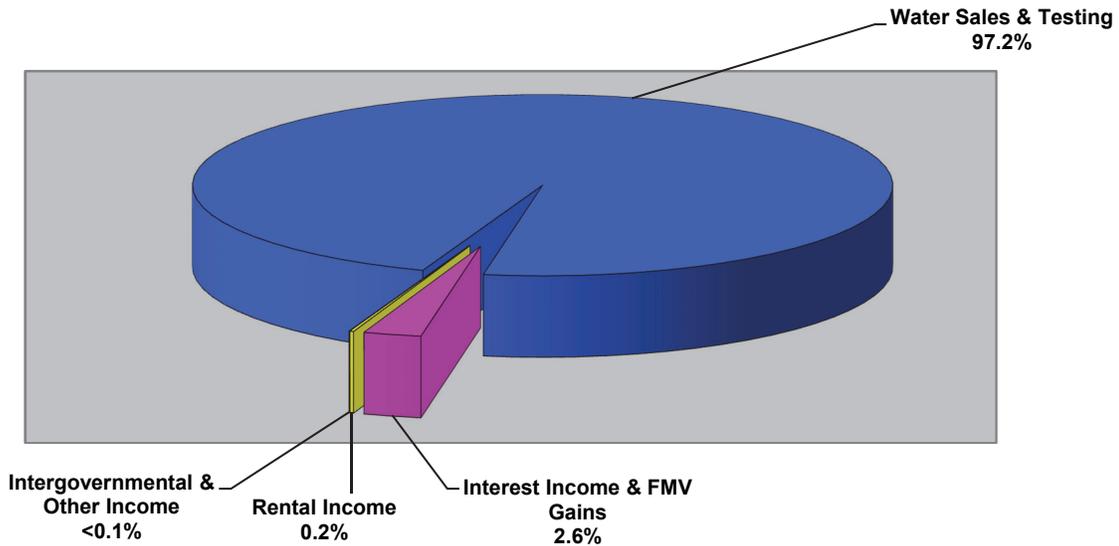
**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

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**Revenues**

The Authority's total revenue of \$82.8 million reflects an increase in 2015 of \$123,000. (See Condensed Statement of Changes in Net Position – Table II). Revenue from Water Sales increased \$4.6 million in 2015 to \$80.3 million, compared to \$75.7 million from the prior year. Interest Income remained steady at \$1.6 million in 2015. The gain on market value of investments in 2015 was down \$2.7 million compared to the prior year gain of \$3.3 million.

**2015 Total Revenue by Source**



**Expenses**

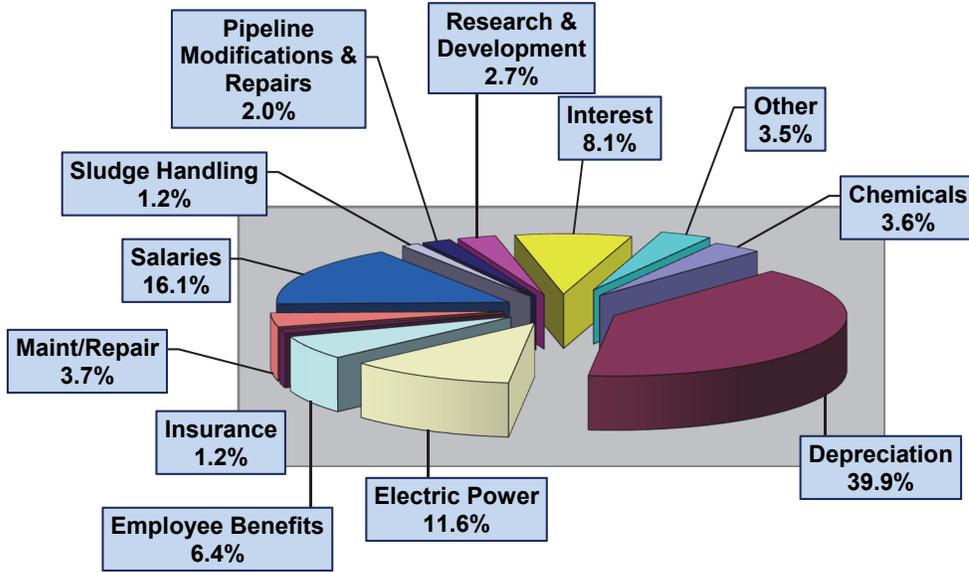
The Authority's total expenses for 2015 were \$48.8 million, an increase of \$720,000 over 2014 total expenses (See Condensed Statement of Changes in Net Position – Table II). Depreciation expense remained steady at \$19.5 million in 2015. Salary expenses increased 4.8% year over year to \$7.9 million. Due to lower healthcare insurance premiums, employee benefit costs exclusive of pension expense decreased 4.7% in 2015 to \$2.1 million. Electric power expense increased 2.9% in 2015 to \$5.6 million. Chemical expense decreased 21.8% year over year to \$1.8 million due to better raw water quality and less dependence on the Granular Activated Carbon process.

Sludge Handling/Residuals Management expenses were \$586,000, representing a 9.1% decrease in cost year over year due to better raw water quality and less sludge production. Research and development expenses were \$1.3 million, representing a \$139,000 increase in 2015. Insurance expenses of \$582,000 remained relatively constant year over year. Pipeline modifications and repair expense increased 3.3% year over year to \$999,000 in 2015, and general maintenance and repair expense increased 2.7% to \$1.8 million in 2015. Other expenses increased 71.6% from \$1.0 million in 2014 to \$1.7 million in 2015, primarily due to bond issuing expenses of \$492,000.

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

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**2015 Total Expenses by Source**



**Capital Assets and Debt Administration**

**Capital Assets**

At the end of 2015, the Authority had almost \$407.6 million invested in a broad range of capital assets, an \$18.0 million increase (net of depreciation) over the prior year. During 2015, the Authority invested \$37.3 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.

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

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

	2015	2014
<b>Land and Easements</b>	\$26,549,632	\$24,467,996
<b>Buildings</b>	25,502,120	25,964,024
<b>Furniture &amp; Fixtures</b>	19,456	9,188
<b>Vehicles</b>	457,902	485,854
<b>Machinery &amp; Equipment</b>	61,341,181	65,947,968
<b>Distribution Lines</b>	100,517,656	102,976,362
<b>Pumping Stations</b>	16,519,271	17,872,912
<b>Treatment Plants</b>	99,477,000	105,012,619
<b>Water Tanks</b>	2,801,271	3,008,645
<b>Water Resources</b>	<u>39,208,090</u>	<u>39,958,238</u>
	372,393,579	385,703,806
<b>Construction in Progress</b>	32,667,700	3,763,043
<b>Retainage on Construction Contracts</b>	<u>2,493,457</u>	<u>162,995</u>
<b>Net Capital Assets</b>	<u>\$407,554,736</u>	<u>\$389,629,844</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 \$79.6 million in outstanding long-term debt at the end of 2015 (See Outstanding Long Term Debt - Table IV). Long-Term debt is comprised of four components – 2009 Refunding Revenue Bonds, 2015 Revenue Bonds, Net Pension Liability, and Compensated Absences payable. More detailed information about long-term debt can be found in Note 5 of the Notes to Financial Statements.

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

On June 15, 2015 the Authority issued Revenue Bonds, Series 2015 for the purpose of retiring \$51,717,789 in aggregate principle of two loans made by the Georgia Environmental Finance Authority (GEFA). These bonds were issued in the amount of \$47,315,000, with interest rates ranging from 2.00% to 5.00%, interest payments due semiannually on May 1 and November 1, and principal payments due annually on November 1 with the bonds maturing on November 1, 2042.

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

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

**Table IV**  
**Outstanding Long-Term Debt**

	2015	2014
<b>Revenue Bonds Payable - Principal</b>	\$76,620,000	\$33,935,000
<b>Unamortized Premium</b>	6,087,667	2,569,284
<b>Less Current Bonds Payable</b>	<u>(5,595,000)</u>	<u>(4,240,000)</u>
<b>Total Revenue Bonds, Long Term</b>	<u>77,112,667</u>	<u>32,264,284</u>
<b>GEFA Loan Payable</b>	-	51,717,789
<b>Net Pension Liability</b>	1,043,986	-
<b>Compensated Absences Payable</b>	2,078,693	1,978,412
<b>Less Current Compensated Absences Payable</b>	<u>(637,882)</u>	<u>(597,834)</u>
<b>Total Outstanding Long-Term Debt</b>	<u>\$79,597,464</u>	<u>\$85,362,651</u>

**Looking forward to 2016**

**Water Sales and Testing:**

- Production forecast – 80.5 MGD
- In-county rate \$2.79/1000 gallons; out-of-county rate \$3.09/1000 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
- Highway 41, Phase 4 Tunnel
- Southwest Connector Water Main, East Cobb Phase
- Wyckoff Filter Building Rehabilitation & Electrical Improvements
- West Side Loop 48-Inch Water Main Replacement

Projects scheduled to continue design:

- Blackjack Mountain Water Main Replacement, Route Study

Projects scheduled to begin construction:

- Dallas Highway Parallel Water Main
- Quarles Water Treatment Plant No. 1 Replacement
- Aged Pipe Replacement Projects

Projects scheduled for completion:

- Lost Mountain Storage Tank (4 Million Gallon Finished Water Storage Tank)
- Fifty-four small Asset Renewal and Replacement projects or purchases are scheduled for design, construction and completion at a cost of \$6.9 million.

The Authority's entire Capital Improvement Program in 2016 is budgeted to expend \$113.0 million, inclusive of Asset Renewal and Replacement projects and a \$5.1 million general contingency. The Authority plans to fund all 2016 capital improvements with cash.

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended December 31, 2015**

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**Other Items:**

- Since 2007, emphasis on conservation and the economy have slowed growth of water sales. CCMWA has experienced modest gains in water demand over the last two years and anticipates less than 1% growth in water sales for 2016. Capital and financial planning have been revised accordingly, with sales for 2016 planned to average 80.5 MGD vs 80.0 MGD planned for 2015.
- The Capital Improvement Plan and Financial Model continue to be analyzed and revised to reflect changing demand projections and increasing regulatory requirements. A CIP inflation driver of 4% is used through CCMWA's 30-year planning horizon. 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 2016, as no additional treatment techniques are planned, there are no plans to add personnel, and source water quality is not anticipated to fluctuate.
- The Finance Division, in coordination with independent consultants and other CCMWA Divisions, will apply for reimbursement of sales taxes paid by contractors on various capital improvement projects. The Finance Division anticipates a potential for refund of sales taxes in excess of \$500,000 during 2016.
- 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 evaluating the condition of existing prestressed concrete cylinder pipe in the transmission system during 2015. The results will be utilized to forecast replacement of the pipelines based on actual pipe condition.
- The Administrative Division plans to implement a 5-year strategic plan with nine strategic initiatives designed to improve the Authority's ability to provide sustainable and reliable drinking water that supports public health, public safety and the economic vitality of the region.
- The Authority plans to update its Drought Contingency Plan and Vulnerability Assessment, and to develop a comprehensive Communication Plan.
- In 2015, Paulding County received a permit to build the Richland Creek Reservoir, and is pursuing an aggressive construction program to develop an independent water supply. Paulding County accounted for 14.0% of the Authority's water sales revenue in 2015, and this revenue stream is expected to discontinue in 2021. The Authority will continue to analyze potential revenue impacts and consider reduced capital spending plans and a new rate structure for service to Paulding County during 2016.

**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, 2015**

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<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 56,431,907
Receivables:	
Accounts	7,482,525
Intergovernmental receivable	135,342
Accrued interest receivable	332,099
Investments	128,304,307
Restricted cash and cash equivalents	1,656,386
Prepaid items	128,287
Inventory	<u>1,415,860</u>
Total current assets	<u>195,886,713</u>
<b>NON-CURRENT ASSETS</b>	
Capital assets:	
Land	26,549,632
Buildings	28,321,138
Utility plant & distribution lines	417,185,954
Furniture and fixtures	135,165
Machinery and equipment	86,674,775
Vehicles	1,948,474
Construction in progress	<u>35,161,157</u>
	595,976,295
Less accumulated depreciation	<u>188,421,559</u>
Total capital assets, net of accumulated depreciation	<u>407,554,736</u>
Total assets	<u>603,441,449</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refunding	1,423,917
Pension related items	<u>1,679,852</u>
Total deferred outflows of resources	<u>3,103,769</u>

**See Notes to Financial Statements.**

<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Payable from current assets:	
Accounts payable	\$ 7,274,876
Accrued expenses and other liabilities	329,760
Retainage payable	2,493,457
Compensated absences payable	637,882
	<u>10,735,975</u>
Payable from restricted assets:	
Revenue bonds payable	5,595,000
Accrued interest payable	548,719
	<u>6,143,719</u>
 Total current liabilities	 <u>16,879,694</u>
 <b>LONG-TERM LIABILITIES</b>	
Compensated absences payable	1,440,811
Revenue bonds payable, net	77,112,667
Net pension liability	1,043,986
	<u>79,597,464</u>
 Total long-term liabilities	 <u>79,597,464</u>
 Total liabilities	 <u>96,477,158</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related items	<u>113,410</u>
 <b>NET POSITION</b>	
Net investment in capital assets	323,777,529
Restricted for debt service	1,107,667
Unrestricted	185,069,454
	<u>185,069,454</u>
 Total net position	 <u>\$ 509,954,650</u>

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2015**

**Operating revenues:**

Charges for services:

Water sales and testing	\$ 80,356,367
Total operating revenues	80,356,367

**Operating expenses:**

General expenses	1,961,690
Administration	707,569
Administration and rental buildings	111,203
Finance	399,153
Engineering division	1,095,825
Information technology	216,313
Safety and security	177,715
Research and development	1,306,390
Hickory Log Creek division	407,793
Wyckoff Plant division	8,396,900
Quarles Plant division	7,897,152
Laboratory	1,038,148
Transmission	1,913,257
Depreciation	19,470,039
Total operating expenses	45,099,147
Operating income	35,257,220

**Non-operating revenues (expenses):**

Interest income	1,558,881
Net increase in the fair value of investments	648,014
Interest expense and fiscal charges	(3,689,056)
Rental income	142,511
Loss on disposal of capital assets	(74,684)
Other income	81,182
Total non-operating revenues (expenses), net	(1,333,152)

Change in net position	33,924,068
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<b>Net position, beginning of year, restated</b>	476,030,582
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<b>Net position, end of year</b>	\$ 509,954,650
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See Notes to Financial Statements.

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 78,396,522
Payments for goods and services	(11,844,238)
Payments to employees	(7,599,327)
Net cash provided by operating activities	58,952,957

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Payments for purchases and construction of capital assets	(35,160,636)
Capital contributions received	1,330,570
Proceeds from issuance of revenue bonds	47,315,000
Original issue premium received	4,269,967
Bond issuance costs paid	(491,912)
Principal payments on long-term borrowings	(56,347,789)
Interest paid on long-term borrowings	(3,348,568)
Net cash used in capital and related financing activities	(42,433,368)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	(77,467,557)
Proceeds from sales of investments	70,375,281
Rents received	142,511
Interest received	1,541,446
Net cash used in investing activities	(5,408,319)

Net increase in cash and cash equivalents 11,111,270

**Cash and cash equivalents:**

Beginning of year	46,977,023
End of year	\$ 58,088,293

**Classified as:**

Cash and cash equivalents	\$ 56,431,907
Restricted cash and cash equivalents	1,656,386
	\$ 58,088,293

**Continued**

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2015**

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

Operating income	\$ 35,257,220
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	19,470,039
Changes in assets and liabilities:	
Increase in accounts receivable	(1,955,751)
Increase in restricted intergovernmental receivable	(4,094)
Decrease in inventory	260,147
Decrease in prepaid items	1,997
Increase in deferred outflows of resources - pension items	(1,679,852)
Increase in accounts payable	5,646,035
Increase in compensated absences	100,281
Increase in accrued expenses and other liabilities	53,117
Increase in net pension liability	1,690,408
Increase in deferred inflows of resources - pension items	113,410
Net cash provided by operating activities	<u>\$ 58,952,957</u>

**NONCASH INVESTING ACTIVITIES**

Increase in fair value of investments	<u>\$ 648,014</u>
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**See Notes to Financial Statements.**

**COBB COUNTY-MARIETTA WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**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

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### 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

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### 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 / Inflows of Resources:**

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

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

#### **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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Net Position Flow Assumption:

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

#### Capital Assets:

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

<b><u>Capital Asset Class</u></b>	<b><u>Threshold</u></b>	<b><u>Estimated Useful Life</u></b>
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, 2015 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **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.

#### **Pensions:**

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

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## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. DEPOSITS AND INVESTMENTS

Total deposits and investments as of December 31, 2015, are summarized as follows:

#### As reported in the Statement of Net Position

Cash and cash equivalents	\$	56,431,907
Investments		128,304,307
Restricted:		
Cash and cash equivalents		1,656,386
	\$	<u>186,392,600</u>
Cash deposited with financial institutions	\$	84,965,653
Georgia Fund 1		4,800,174
U.S. Government Agencies		96,626,773
	\$	<u>186,392,600</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, 2015, the Authority had deposits at a local financial institution in the amount of approximately \$18.1 million that were uninsured and under-collateralized. The collateral pledged to secure these deposits was insufficient by approximately \$365,000 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 asset value investment pool which follows Standard and Poor's criteria for AAf rated money market funds. 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 regulatory oversight agency for Georgia Fund 1 is the State Treasurer of the State of Georgia. The Authority's investment in Georgia Fund 1 is reported at fair value. For financial statement purposes, the Authority has classified the Georgia Fund 1 funds as cash and cash equivalents. Therefore, unrestricted and restricted cash includes \$4,800,174 invested 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, 2015, the Georgia Fund 1 had a weighted average maturity of 36 days and a credit rating of AA+Af. In addition, the Authority's \$96,626,773 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 \$648,014 for the year ended December 31, 2015.

At December 31, 2015, 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	\$ 31,677,534	\$ 25,376,095	\$ 6,301,439	\$ -	-
U.S. Government Agencies	96,626,773	5,512,895	63,441,033	9,941,635	17,731,210
Total	\$ 128,304,307	\$ 30,888,990	\$ 69,742,472	\$ 9,941,635	\$ 17,731,210

**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, 2015:

Receivables:	
Accounts	\$ 7,482,525
Intergovernmental	135,342
Accrued interest	332,099
Total receivables	\$ 7,949,966

Intergovernmental receivables consisted of \$99,027 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, 2015 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	\$ 24,467,996	\$ -	\$ -	\$ 2,081,636	\$ 26,549,632
Construction in progress	3,926,038	37,491,098	-	(6,255,979)	35,161,157
Total	<u>28,394,034</u>	<u>37,491,098</u>	<u>-</u>	<u>(4,174,343)</u>	<u>61,710,789</u>
Capital assets, being depreciated:					
Buildings	28,121,592	-	-	199,546	28,321,138
Utility plants/distribution lines	414,548,042	-	(97,626)	2,735,538	417,185,954
Machinery and equipment	85,585,556	-	(4,650)	1,093,869	86,674,775
Furniture and fixtures	119,575	-	-	15,590	135,165
Vehicles	1,906,310	-	(87,636)	129,800	1,948,474
Total	<u>530,281,075</u>	<u>-</u>	<u>(189,912)</u>	<u>4,174,343</u>	<u>534,265,506</u>
Less accumulated depreciation for:					
Buildings	(2,157,568)	(661,450)	-	-	(2,819,018)
Utility plants/distribution lines	(145,719,266)	(12,947,359)	3,959	-	(158,662,666)
Machinery and equipment	(19,637,588)	(5,698,156)	2,150	-	(25,333,594)
Furniture and fixtures	(110,387)	(5,322)	-	-	(115,709)
Vehicles	(1,420,456)	(157,752)	87,636	-	(1,490,572)
Total	<u>(169,045,265)</u>	<u>(19,470,039)</u>	<u>93,745</u>	<u>-</u>	<u>(188,421,559)</u>
Total capital assets, being depreciated, net	<u>361,235,810</u>	<u>(19,470,039)</u>	<u>(96,167)</u>	<u>4,174,343</u>	<u>345,843,947</u>
Total capital assets, net	<u>\$ 389,629,844</u>	<u>\$ 18,021,059</u>	<u>\$ (96,167)</u>	<u>\$ -</u>	<u>\$ 407,554,736</u>

### NOTE 5. LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2009 Revenue bonds	\$ 33,935,000	\$ -	\$ (4,240,000)	\$ 29,695,000	\$ 4,450,000
Series 2015 Revenue bonds	-	47,315,000	(390,000)	46,925,000	1,145,000
Plus unamortized premium	2,569,284	4,269,967	(751,584)	6,087,667	-
Revenue bonds, net	<u>36,504,284</u>	<u>51,584,967</u>	<u>(5,381,584)</u>	<u>82,707,667</u>	<u>5,595,000</u>
Notes payable	51,717,789	-	(51,717,789)	-	-
Net pension liability (asset)	(646,422)	2,833,738	(1,143,330)	1,043,986	-
Compensated absences	<u>1,978,412</u>	<u>842,356</u>	<u>(742,075)</u>	<u>2,078,693</u>	<u>637,882</u>
Total long-term liabilities	<u>\$ 89,554,063</u>	<u>\$ 55,261,061</u>	<u>\$ (58,984,778)</u>	<u>\$ 85,830,346</u>	<u>\$ 6,232,882</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LONG-TERM DEBT (CONTINUED)

#### Revenue Bonds:

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

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

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

Fiscal year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,595,000	\$ 3,292,313	\$ 8,887,313
2017	5,860,000	3,035,463	8,895,463
2018	6,085,000	2,812,863	8,897,863
2019	6,290,000	2,606,013	8,896,013
2020	6,540,000	2,354,413	8,894,413
2021-2025	13,065,000	8,374,413	21,439,413
2026-2030	9,500,000	6,176,475	15,676,475
2031-2035	11,485,000	4,195,163	15,680,163
2036-2040	10,370,000	1,545,813	11,915,813
2041-2042	1,830,000	95,813	1,925,813
Total	<u>\$ 76,620,000</u>	<u>\$ 34,488,742</u>	<u>\$ 111,108,742</u>

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. DEFINED BENEFIT PENSION PLAN

#### Plan Description

*Plan administration.* The Authority's pension plan, the Cobb County-Marietta Water Authority Retirement Plan (the "Retirement Plan") is a single-employer, defined benefit pension plan, and is overseen by a Pension Committee and administered by a third-party. The Pension Committee consists of not less than three members, nor more than nine who may, but need not be, Members of the Board of Directors of the Authority, officers or employees of the Authority, or retired participants of the Retirement Plan. The members of the Committee serve at the pleasure of the Authority and any or all members may be removed by the Authority at any time and successor members of the Committee will be named by the Authority. The Committee has the power and duty to do all things necessary to affect the intent and purposes of the Retirement Plan. However, the authority to amend or terminate the Retirement Plan as well as the authority to direct the trustee in the investment of the trust fund remains with the Authority. For the year ended December 31, 2015, the Retirement Plan did not issue separate financial statements.

*Plan membership.* The Retirement Plan covers all full-time employees who are employed by and receive compensation from the Authority. At December 31, 2015, Retirement Plan membership consisted of the following:

Inactive participants currently receiving benefits	40
Inactive participants entitled to, but not receiving benefits	9
Active plan members	<u>109</u>
Total	<u><u>158</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

*Contributions.* A resolution by the Board of Directors of the Authority grants the authority to establish and amend the contribution requirements of the Authority to the Pension Committee, subject to the approval of the Board. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Retirement Plan members during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. Currently, employees of the Authority do not contribute to the Retirement Plan. For the year ended December 31, 2015, the Authority's contribution rate was 11.91% of annual payroll.

#### **Net Pension Liability of the Authority**

Effective January 1, 2015, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which significantly changed the Authority's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The Authority's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of that date.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Actuarial assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	5.0% compounded annually, including inflation
Investment rate of return	7.5%, net of investment expenses, including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period of January 1, 2003 through December 31, 2007.

The long-term expected rate of return on Retirement Plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. Multiplying the weights by the target asset allocation percentage and adding expected inflation produces the long-term expected rate of return. Best estimates of arithmetic real rates of return for each major asset class included in the Retirement Plan's target asset allocation as of December 31, 2015 are:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	7.25%
International Equity	7.75%
Fixed Income	1.75%
Real Estate	6.75%

*Discount rate.* The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will continue to be made at the current rates. Based on those assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Retirement Plan members.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Changes in the Net Pension Liability of the Authority.* The changes in the components of the net pension liability of the Authority for the year ended December 31, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balances at 12/31/14</b>	\$ 29,429,960	\$ 30,076,382	\$ (646,422)
<b>Changes for the year:</b>			
Service cost	613,728	-	613,728
Interest	2,220,010	-	2,220,010
Differences between expected and actual experience	(130,274)	-	(130,274)
Changes in benefit terms	(3,926)	-	(3,926)
Contributions—employer	-	855,000	(855,000)
Net investment income	-	154,130	(154,130)
Benefit payments, including refunds of employee contribution	(903,430)	(903,430)	-
<b>Net changes</b>	<u>1,796,108</u>	<u>105,700</u>	<u>1,690,408</u>
<b>Balances at 12/31/15</b>	<u>\$ 31,226,068</u>	<u>\$ 30,182,082</u>	<u>\$ 1,043,986</u>

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

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Authority, calculated using the discount rate of 7.5 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's net pension liability (asset)	\$ 4,686,823	\$ 1,043,986	\$ (2,042,537)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2015 and the current sharing pattern of costs between employer and employee.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended December 31, 2015, the Authority recognized pension expense of \$978,965. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,679,852	\$ -
Differences between expected and actual experience	-	110,092
Changes in benefit terms	-	3,318
Total	\$ 1,679,852	\$ 113,410

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

Fiscal year ending December 31:		
2016		\$ 399,173
2017		399,173
2018		399,173
2019		399,173
2020		(20,790)
Thereafter		(9,460)
Total		\$ 1,566,442

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. COMMITMENTS AND CONTINGENCIES

#### **Contractual Commitments:**

For the year ended December 31, 2015, contractual commitments on uncompleted contracts were \$109,719,975.

#### **Contingencies:**

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

### NOTE 8. RISK MANAGEMENT

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

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

### NOTE 9. JOINT VENTURES

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

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2015, revenues from Cobb County amounted to \$53,571,857 or 66.7% 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, 2015, revenues from Paulding County amounted to \$11,252,914 or 14.0% 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 in 2021.

### NOTE 11. CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 6, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, effective January 1, 2015. As a result of this change in accounting principle, the Authority is required to restate beginning net position as shown below:

Net position, December 31, 2014, as previously reported	\$ 476,529,861
Authority's net pension asset (under GASB 68), beginning balance	646,422
Remove net pension asset previously reported under GASB 27	<u>(1,145,701)</u>
Beginning net position, December 31, 2014, as restated	<u><u>\$ 476,030,582</u></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# COBB COUNTY-MARIETTA WATER AUTHORITY

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Total pension liability</b>			
Service cost	\$ 613,728	\$ 563,408	\$ 543,082
Interest on total pension liability	2,220,010	1,981,839	1,871,727
Differences between expected and actual experience	(130,274)	(102,464)	(158,628)
Changes in assumptions	-	1,557,332	-
Changes in benefit terms	(3,926)	-	-
Benefit payments	(903,430)	(847,216)	(770,851)
<b>Net change in total pension liability</b>	<u>1,796,108</u>	<u>3,152,899</u>	<u>1,485,330</u>
<b>Total pension liability - beginning</b>	<u>29,429,960</u>	<u>26,277,061</u>	<u>24,791,731</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 31,226,068</u></u>	<u><u>\$ 29,429,960</u></u>	<u><u>\$ 26,277,061</u></u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 855,000	\$ 840,000	\$ 800,000
Net investment income	154,130	2,252,513	4,248,814
Benefit payments	(903,430)	(847,216)	(770,851)
<b>Net change in plan fiduciary net position</b>	<u>105,700</u>	<u>2,245,297</u>	<u>4,277,963</u>
<b>Plan fiduciary net position - beginning</b>	<u>30,076,382</u>	<u>27,831,085</u>	<u>23,553,122</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 30,182,082</u></u>	<u><u>\$ 30,076,382</u></u>	<u><u>\$ 27,831,085</u></u>
<b>Authority's net pension liability - ending (a) - (b)</b>	<u><u>\$ 1,043,986</u></u>	<u><u>\$ (646,422)</u></u>	<u><u>\$ (1,554,024)</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	96.7%	102.2%	105.9%
<b>Covered-employee payroll</b>	\$ 7,179,574	\$ 6,899,710	\$ 6,469,029
<b>Net pension liability as a percentage of covered-employee payroll</b>	14.5%	-9.4%	-24.0%

**Notes to the Schedule:**

The schedule will present 10 years of information once it is accumulated.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 550,089	\$ 554,264	\$ 546,651	\$ 505,226	\$ 506,080
1,801,543	1,705,985	1,629,536	1,530,591	1,479,920
(683,324)	(293,928)	(485,942)	(108,007)	(698,684)
-	-	-	-	-
-	-	-	-	-
(681,788)	(694,083)	(663,543)	(636,874)	(585,744)
986,520	1,272,238	1,026,702	1,290,936	701,572
23,805,211	22,532,973	21,506,271	20,215,335	19,513,763
<u>\$ 24,791,731</u>	<u>\$ 23,805,211</u>	<u>\$ 22,532,973</u>	<u>\$ 21,506,271</u>	<u>\$ 20,215,335</u>
\$ 740,000	\$ 740,000	\$ 740,000	\$ 700,000	\$ 475,000
2,451,847	568,504	2,170,670	2,553,285	(3,452,950)
(681,788)	(694,083)	(663,543)	(636,874)	(585,744)
2,510,059	614,421	2,247,127	2,616,411	(3,563,694)
21,043,063	20,428,642	18,181,515	15,565,104	19,128,798
<u>\$ 23,553,122</u>	<u>\$ 21,043,063</u>	<u>\$ 20,428,642</u>	<u>\$ 18,181,515</u>	<u>\$ 15,565,104</u>
<u>\$ 1,238,609</u>	<u>\$ 2,762,148</u>	<u>\$ 2,104,331</u>	<u>\$ 3,324,756</u>	<u>\$ 4,650,231</u>
95.0%	88.4%	90.7%	84.5%	77.0%
\$ 6,159,167	\$ 5,717,773	\$ 5,641,194	\$ 5,132,691	\$ 5,121,170
20.1%	48.3%	37.3%	64.8%	90.8%

**COBB COUNTY-MARIETTA WATER AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AUTHORITY CONTRIBUTIONS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 769,650	\$ 739,780	\$ 740,481	\$ 747,005	\$ 713,203
Contributions in relation to the actuarially determined contribution	<u>855,000</u>	<u>840,000</u>	<u>800,000</u>	<u>740,000</u>	<u>740,000</u>
Contribution deficiency (excess)	<u>\$ (85,350)</u>	<u>\$ (100,220)</u>	<u>\$ (59,519)</u>	<u>\$ 7,005</u>	<u>\$ (26,797)</u>
Covered employee payroll	\$ 7,179,574	\$ 6,899,710	\$ 6,469,029	\$ 6,159,167	\$ 5,717,773
Contributions as a percentage of covered-employee payroll	11.91%	12.17%	12.37%	12.01%	12.94%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 692,355	\$ 752,390	\$ 605,230	\$ 610,911	\$ 577,328
Contributions in relation to the actuarially determined contribution	<u>740,000</u>	<u>700,000</u>	<u>475,000</u>	<u>475,000</u>	<u>428,000</u>
Contribution deficiency (excess)	<u>\$ (47,645)</u>	<u>\$ 52,390</u>	<u>\$ 130,230</u>	<u>\$ 135,911</u>	<u>\$ 149,328</u>
Covered employee payroll	\$ 5,641,194	\$ 5,132,691	\$ 5,121,170	\$ 5,042,007	\$ 4,575,846
Contributions as a percentage of covered-employee payroll	13.12%	13.64%	9.28%	9.42%	9.35%

**Notes to the Schedule:**

(1) Actuarial Assumptions

Valuation Date	December 31, 2015
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	20% write up method
Assumed Rate of Return on Investments	7.5% compounded annually net of investment expenses
Projected Salary Increases	5.0% compounded annually
Cost-of-living Adjustment	Liabilities are loaded 5.0% to account for future ad hoc COLAs
Amortization Method	Closed 15-Year Increasing assuming annual payroll growth of 3%
Remaining Amortization Period	15 years (closed)

# COBB COUNTY-MARIETTA WATER AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF PENSION INVESTMENT RETURNS

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	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual money-weighted rate of return, net of investment expenses	0.5%	8.1%	18.0%	11.6%	2.8%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual money-weighted rate of return, net of investment expenses	11.9%	16.4%	-18.1%	5.6%	10.8%

# STATISTICAL SECTION

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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.

<b>Financial Trends</b> .....	<b><u>Page</u></b> <b>37</b>
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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.**

<b>Revenue Capacity</b> .....	<b>42</b>
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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.**

<b>Debt Capacity</b> .....	<b>46</b>
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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.**

<b>Demographic and Economic Information</b> .....	<b>48</b>
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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.**

<b>Operating Information</b> .....	<b>50</b>
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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*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Investment in Capital Assets	\$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	\$323,777,529
Restricted for Debt Service	739,153	585,844	685,767	568,204	605,479	636,358	664,646	695,480	1,132,336	1,107,667
Unrestricted	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	185,069,454
Total Net Position	<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>	<u>\$509,954,650</u>

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

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

*Unaudited*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating Revenues	\$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	\$80,356,367
Operating Expenses	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	45,099,147
Operating Income	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	35,257,220
Non-Operating Revenue (Expense)	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	(1,333,152)
Change in Net Position	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	33,924,068
Net Position - Beginning	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	476,030,582
Net Position - Ending	\$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	\$509,954,650

\*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>
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
2015	80,356,367	80,356,367

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General & Administration	\$ 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	\$ 3,573,643
Engineering Division	646,070	864,671	692,811	868,783	962,571	955,659	977,919	1,082,671	1,047,869	1,095,825
Research & Development	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	1,306,390
Hickory Log Creek Reservoir	-	-	212,212	305,215	321,358	374,219	315,974	314,081	344,821	407,793
Wyckoff Treatment Division	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	8,396,900
Quarles Treatment Division	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	7,897,152
Laboratory Division	745,281	790,064	854,147	911,751	976,776	950,287	958,795	974,934	1,010,305	1,038,148
Transmission Division	869,896	759,950	916,018	1,243,929	1,363,544	1,476,915	1,722,593	1,606,697	1,847,542	1,913,257
Depreciation	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	19,470,039
	<b>\$ 24,201,529</b>	<b>\$ 26,568,658</b>	<b>\$ 27,445,170</b>	<b>\$ 30,602,469</b>	<b>\$ 32,790,707</b>	<b>\$ 37,275,388</b>	<b>\$ 38,673,588</b>	<b>\$ 40,152,408</b>	<b>\$ 44,474,605</b>	<b>\$ 45,099,147</b>

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Interest Income	\$ 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	\$ 1,558,881
Gain (Loss) on Market Value of Investments (1)	-	-	-	77,247	-	940,425	20,213	(4,716,259)	3,316,553	648,014
Interest Expense & Fiscal Charges	(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)	(3,689,056)
Intergovernmental	-	44,603	204,665	246,990	-	244,658	-	-	377,117	-
Rental Income	4,735	4,735	4,733	4,735	71,643	109,865	127,247	116,764	119,904	142,511
Gain (Loss) on Disposal of Capital Assets	15,025	(61,825)	(660,908)	-	(539,659)	(635,909)	(69,235)	-	-	(74,684)
Other Income (Expense)	(33,194)	16,402	-	-	-	-	-	-	1,547,686	(2)
<b>Total Non-Operating Revenues (Expenses), Net</b>	<b>\$ 1,089,490</b>	<b>\$ 1,623,724</b>	<b>\$ 501,293</b>	<b>\$ (470,156)</b>	<b>\$ (1,604,979)</b>	<b>\$ (1,426,380)</b>	<b>\$ (2,274,488)</b>	<b>\$ (7,008,314)</b>	<b>\$ 3,334,385</b>	<b>\$ (1,333,152)</b>

(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.

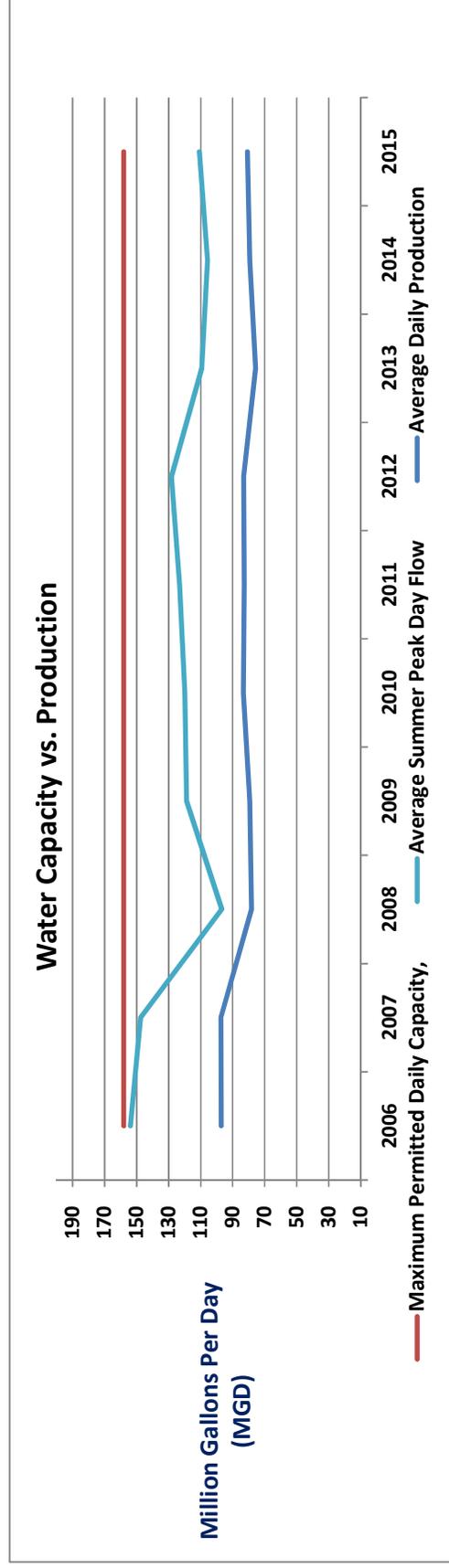
\*Source: Cobb County-Marietta Water Authority historical financial records

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

*Unaudited*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Maximum Permitted Daily Capacity, MGD of Water Treatment Plants (WTPs):</b>										
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	97	97	78	79	83	83	83	76	79	81
Percent of Capacity Used	61.55	61.65	49.51	50.27	52.72	52.46	52.60	47.94	50.25	51.15
Average Summer Peak Day Flow	154	148	97	119	120	123	128	109	106	111
Percent of Capacity Used	97.40	93.44	61.28	75.16	75.84	77.95	81.23	69.18	66.88	70.19

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



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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Wholesale Water Customers</b>										
In-County Governmental Customers	5	5	5	5	5	5	5	5	5	5
In-County Industrial/Private Customers	2	2	2	1	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	12	12	12	12	12	12	12

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

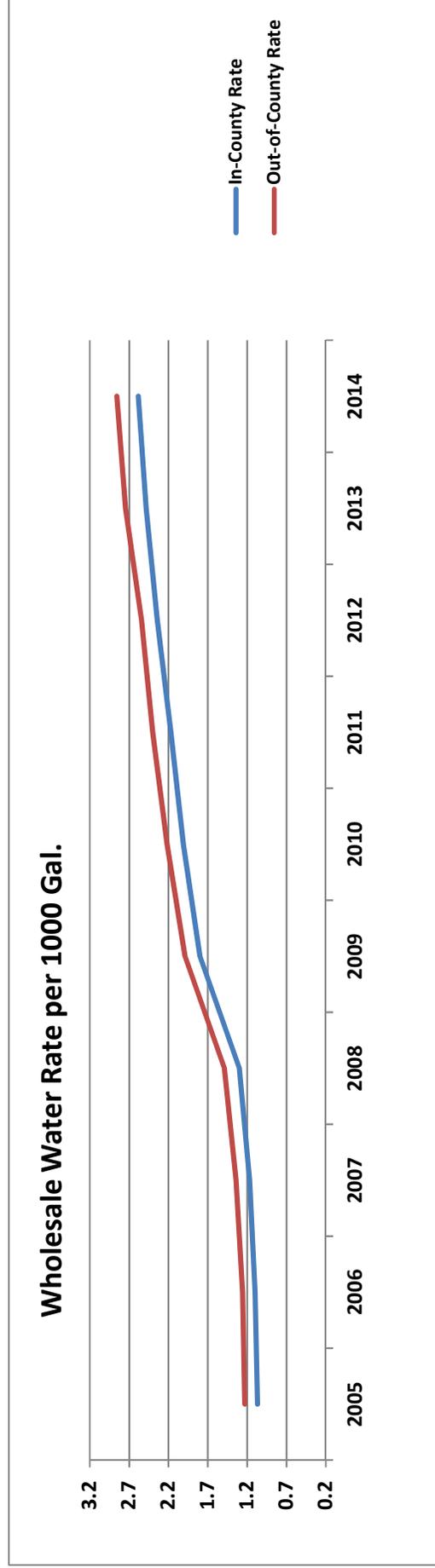
# COBB COUNTY-MARIETTA WATER AUTHORITY

## WHOLESALE WATER RATES LAST TEN YEARS

*Unaudited*

Wholesale Water Price Per Thousand Gallons	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Base Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
In-County Rate	1.10	1.17	1.30	1.80	2.01	2.17	2.34	2.48	2.58	2.68
Out-of-County Rate	1.26	1.34	1.49	1.99	2.22	2.40	2.54	2.75	2.86	2.97

\*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*

	2015		2006	
	Demand in Thousands of Gallons	Revenue	Demand in Thousands of Gallons	Revenue
Cobb County Water System	19,921,102	\$ 53,571,857	24,082,000	\$ 26,843,383
Paulding County (1)	3,805,602	11,252,914	3,859,000	4,917,543
Marietta Board of Lights and Water	2,828,705	7,582,130	3,768,000	4,145,130
City of Smyrna	1,422,844	3,851,387	1,788,000	1,972,605
City of Woodstock	528,005	1,566,022	337,000	443,064
City of Powder Springs	426,781	1,124,277	466,000	517,653
City of Austell	254,782	685,077	359,000	394,579
Lockheed-Martin Corporation	231,195	620,527	407,000	448,225
Douglasville/Douglas County Water Authority	-	-	58,000	107,588
City of Mountain Park	23,497	69,845	41,000	51,830
Cherokee County Water & Sewerage Authority	2,539	8,281	283,000	636,522
	<u>29,445,052</u>	<u>\$ 80,332,317</u>	<u>35,448,000</u>	<u>\$ 40,478,122</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*

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<b>Fiscal Year</b>	<b>Senior Lien Revenue Bonds</b>	<b>Georgia Environmental Finance Authority Notes</b>	<b>Total Outstanding Debt</b>	<b>Percentage of Personal Income</b>	<b>Population</b>	<b>Debt per Capita</b>
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
2015	82,707,667	-	82,707,667	0.244%	733,860	112.70

\***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		Operating Expenses (Excluding Depreciation)		Net Available Revenues	Principal	Interest	Total	Coverage Ratio
	Operating Revenues	Other Income	Operating Expenses (Excluding Depreciation)	Other Income					
2006	\$ 40,798,222	\$ 4,002,100	\$ 17,605,439	\$ 4,002,100	\$ 27,194,883	\$ 3,091,267	\$ 2,912,610	\$ 6,003,877	4.53
2007	43,847,613	4,654,651	20,020,478	4,654,651	28,481,786	3,184,349	3,030,927	6,215,276	4.58
2008	41,800,727	3,534,662	19,063,364	3,534,662	26,272,025	3,287,039	3,033,367	6,320,406	4.16
2009	53,503,832	3,592,013	20,742,979	3,592,013	36,352,866	5,723,357	4,062,169	9,785,526	3.71
2010	62,174,419	2,077,817	21,955,852	2,077,817	42,296,384	4,395,552	3,682,796	8,078,348	5.24
2011	67,441,944	2,155,123	24,055,385	2,155,123	45,541,682	4,564,457	3,581,503	8,145,960	5.59
2012	72,733,198	1,311,632	23,669,385	1,311,632	50,375,445	5,446,389	3,586,120	9,032,509	5.58
2013	69,314,666	(3,134,993)	23,497,303	(3,134,993)	42,682,370	5,816,133	3,873,321	9,689,454	4.41
2014	75,661,819	6,927,510	24,944,987	6,927,510	57,644,342	7,760,707	3,829,349	11,590,056	4.97
2015	80,356,367	2,430,588	25,629,108	2,430,588	57,157,847	4,630,000	3,365,293	7,995,293	7.15

\*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*

<b>Employer</b>	<b>Industry</b>	<b>2015</b>		<b>2006</b>	
		<b>Employees</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
Cobb County Schools	Government	15,033	4.05%	14,956	3.40%
Wellstar Health System	Healthcare	14,000	3.77%	11,127	2.53%
Home Depot	Retail	12,000	3.23%	7,000	1.59%
Lockheed Martin	Aircraft/Defense	6,000	1.62%	6,938	1.58%
Kennesaw State University	Education	5,146	1.39%	3,254	0.74%
Cobb County Government	Government	5,068	1.36%	4,958	1.13%
Caraustar Industries	Manufacturing	3,800	1.02%	-	0.00%
Publix Super Markets	Retail	3,546	0.95%	3,381	0.77%
Brand Energy & Infrastructure Holdings	Retail	2,803	0.75%	-	0.00%
Six Flags Over Georgia	Theme Park	2,370	0.64%	2,718	0.62%
Naval Air Station Atlanta	Defense	-	0.00%	2,991	0.62%
Dobbins Air Force Base	Defense	-	0.00%	2,359	0.54%

\***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*

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<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>County Unemployment Rate (2)</b>
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%
2015	733,860	33,827,430,000	46,095	4.90%

**\*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*

<b>Division</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Water Treatment & Water Resources	68	68	68	66	69	71	72	72	72	71
Transmission	9	9	9	9	9	10	10	11	11	11
Laboratory	10	10	10	10	10	10	10	10	10	10
Engineering	6	6	6	7	8	9	9	9	9	8
Administration & Information Systems	6	6	7	9	11	11	11	12	12	12
	<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>	<u>112</u>

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

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

*Unaudited*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Ground Level Tanks:</b>										
Blackjack Mountain	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Brush Mountain	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Pine Mountain No. 1	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
Pine Mountain No. 2	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Pete Shaw	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Factory Shoals	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Groover Mountain	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100	3,100
Lost Mountain No. 1	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Lost Mountain No. 2	-	-	-	-	-	-	-	-	-	4,000
Quarles Washwater	500	500	500	500	500	500	500	500	500	500
	<u>36,100</u>	<u>40,100</u>								
<b>Elevated Tanks:</b>										
Wyckoff Washwater	400	400	400	400	400	400	400	400	400	400
<b>Storage at Water Plants:</b>										
Quarles Treatment Division	8,000	8,000	8,000	8,000	8,000	14,000	14,000	14,000	14,000	14,000
Wyckoff Treatment Division	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
	<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>	<u>20,000</u>
<b>Total Water Tank Storage Capacity:</b>	<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>	<u>60,500</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*

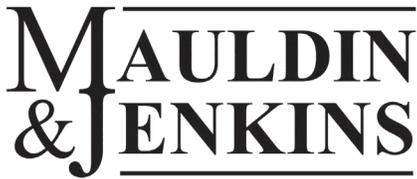
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Raw Water Reservoirs</b>										
Hickory Log Creek Reservoir {% Ownership}	-	-	-	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500	4,327,500
Allatoona Reservoir {% Ownership}	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688	4,281,688
Quarles Treatment Division Reservoir	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
	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	8,634,188
<b>Average Daily Flow</b>										
Average Daily Production	97,000	97,000	78,000	79,000	83,000	83,000	83,000	76,000	79,000	81,000
<b>Number of Days Supply</b>	44	44	55	109	104	104	104	114	109	107

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

Note: All storage capacity figures expressed in thousands.

## **COMPLIANCE SECTION**

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

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**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, 2015, 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 8, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*.

**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.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 2015-001.

## **Cobb County-Marietta Water Authority's Response to Finding**

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

## **Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
April 8, 2016

**COBB COUNTY-MARIETTA WATER AUTHORITY**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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**SECTION I  
SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?  yes  no

Significant deficiencies identified?  yes  no

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

There was not an audit of major programs in the current year as expenditures of federal awards did not exceed the \$750,000 threshold.

# COBB COUNTY-MARIETTA WATER AUTHORITY

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2015

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2015-001 Collateralization of Deposits

**Criteria:** Policies should be in place requiring all financial institutions holding cash deposits to be properly insured and, or collateralized at all times throughout the fiscal year. State statutes require deposits of public funds to be insured or collateralized at a rate of at least 110 percent of the deposit amount.

**Condition:** As of December 31, 2015, deposits of the Authority held at a financial institution totaling approximately \$18.1 million were not fully collateralized or insured in accordance with the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c). The pledged collateral for these accounts was less than the required amount by approximately \$365,000.

**Context/Cause:** The Authority's deposits were not properly monitored by management of the Authority and therefore, were not adequately collateralized at the financial institution as of December 31, 2015.

**Effects:** The failure of a financial institution to fully collateralize or insure the Authority's deposits could result in financial loss to the Authority should the financial institution fail.

**Recommendation:** We recommend the Authority ensure that all deposits are properly categorized as public funds by the financial institution and that the deposits are adequately insured and, or collateralized throughout the fiscal year.

**Auditee's Response:** We concur with the finding. We have discussed the matter with the financial institution and additional capital has been pledged to comply with state statutes. Management requires all financial institutions to acknowledge receipt of the Authority's Investment Policy and the Authority's Collateralization Agreement, which follow O.C.G.A. statutes. Funds in the aforementioned financial institution were collateralized at 107.95% versus state statute of 110%. Management requires all financial institutions to provide monthly pledged collateral reports by the 10th day of the following month. Management will continue to monitor adequacy of pledged collateral to secure the Authority's deposits.

### SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable.