

**WATER AUTHORITY
OF THE
CAYMAN ISLANDS
ANNUAL REPORT**

2019



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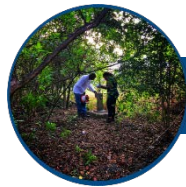
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CHAIRMAN'S MESSAGE

On behalf of the Board of the Water Authority – Cayman, I am pleased to present the 2019 Annual Report.

This Annual Report outlines the performance of the Water Authority during the 2019 fiscal year and compares it to the planned performance documented in the Ownership Agreement for the Authority, or as amended through the supplementary appropriation process, and also against prior year performance. The requirement for an Annual Report is prescribed under section 52 of the Public Management and Finance Law (2013 Revision) (PMFL).

The annual report also highlights the key strategic goals of the organisation, the achievements throughout the year as well as plans for the upcoming financial period.

The Cayman Islands continues to grow and develop, and the Water Authority continues to meet the challenges of this economic growth, keeping our mission in mind – providing the people of the Cayman Islands with reliable potable water. As you will see in this report, the Authority is also looking to the future, with plans for extensive expansion which will allow the Authority to continue to keep pace with demand for years to come.

We are incredibly proud of the community-minded spirit of the Authority's employees who continue to give back, raising money for a variety of local charities through the annual Project Angel Tree, dress down days and other volunteer efforts.

I would like to sincerely thank all Water Authority Board Members and, on behalf of the Board, to thank each and every staff member of the Water Authority for their continued hard work and organisational commitment. Thank you for helping to make 2019 another successful year!

Kearney Gomez, MBE, JP

Water Authority Board Chair

DIRECTOR'S MESSAGE



As Director of the Water Authority since 2000, it has been an honour to lead an organisation that has been an integral part of the development of the Cayman Islands. I am pleased to present the 2019 Annual Report on behalf of the Authority's management team and staff.

WATER & WASTEWATER OPERATIONS

Over the past year, the Authority's water and wastewater operations have continued to expand in both Grand Cayman and Cayman Brac. The Piped Water Expansion Project continues to break ground in Cayman Brac, and at the end of 2019, we have 364 active customers in the Brac.

The Authority undertook several infrastructure upgrades and new works in 2019 including the installation of over 1,000 ft of new pipeline along the new Olympic Way Connector and pipeline extension along High Rock Drive leading up to the proposed mental health facility.

SUCCESSFUL LABORATORY AUDIT

I am pleased to note that this Annual Report highlights the dedication of our Laboratory Manager, Ms Marcela Martinez-Ebanks, and her team who have once again achieved a successful audit under the American Association of Laboratory Accreditation. The Laboratory's accreditation also expanded its scope of testing parameter.

The Laboratory has successfully maintained its international accreditation since 2002.

COMMUNITY SPIRIT

The Water Authority continues to be an example of corporate citizenship, with staff coming together to support our local community.

The Authority's Social Committee spearheaded many events including an Earth Day Clean-Up, a Literacy Day Book Drive and several charity dress-down days and walk/runs.

The Social Committee also organised many social events and activities to build fellowship and camaraderie among Authority staff.

AN EYE ON THE FUTURE

The Cayman Islands continues to develop at a rapid pace, and the Authority has continued to keep pace with development, providing reliable, affordable water and wastewater services to our customers and protect local groundwater resources, all while delivering steady returns on investment.



To ensure the Authority continues to meet its mission in the years to come, the Authority is hard at work to expand capital assets over the next ten years. Some key projects the Authority is working towards include a purpose-built expanded laboratory, extending the Authority's Administration Building to meet the needs of a growing staff, the development of the Bluff Water Works in Cayman Brac, and providing piped water service to Little Cayman.

While these are big, complex goals, I am confident that with the continued hard work of the Authority's staff, the dedication of the Authority's Board and management team and the support of the Ministry of Education, Youth, Sports, Agriculture and Lands, I am confident these goals can be achieved.

Dr. Gelia Frederick-van Genderen, Cert Hon

Water Authority Director





GENERAL INFORMATION

MISSION STATEMENT



The Authority's mission is:

- To ensure that the entire population of the Cayman Islands has access to a pure, wholesome and affordable supply of potable water.
- To protect and develop groundwater resources for the benefit of present and future populations of these islands.
- To provide for the collection, treatment and disposal of sewerage in a manner that is safe, efficient and affordable.
- To operate in such a manner as to be

financially self-sufficient while contributing to the economy of these islands and achieving a reasonable and acceptable return on capital investments.

GOVERNANCE

- The Authority is a statutory authority that falls under the portfolio of the Ministry of Education, Youth, Sports, Agriculture & Lands (EYSAL).
- As of 31 December 2019, the minister responsible for that portfolio is the Honourable Juliana O'Connor-Connolly, JP.
- The Authority's operations are governed by the Water Authority Law (2018 Revision), the Water Authority Regulations (2018 Revision), the Wastewater Collections and Treatment Law (2018 Revision), and the Water (Production and Supply) Law (2018 Revision).
- The Authority operates under the guidance of a Cabinet-appointed Board.
- The Utility Regulation and Competition Office (OfReg) is the regulator of the water and wastewater sector.
- The Public Authorities Law.
- The Procurement Law.

SCOPE OF ACTIVITIES

The Water Authority of the Cayman Islands (the Authority) is a statutory body, wholly owned by the Government of the Cayman Islands (the “Government”), established on 01 January 1990, under the Water Authority Law (Law 18 of 1982), as amended.

The Authority is principally engaged in the management of water supply and sanitation affairs of the Caymans Islands including the provision of public water supplies, sewerage systems and the management, development and protection of water resources.

The Authority has a dynamic 10 Year Development Plan to predict and plan for expected growth and development. This plan is designed to allow for modifications to suit the changing needs of the islands.

MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

2019 was another successful year for the Authority, most notably 2019 was highlighted with the final loan payment paid in June 2019. The Authority continues to be a fiscal responsible and a financially independent government entity serving over 18,900 water customers across Grand Cayman and Cayman Brac, and over 450 wastewater services in Grand Cayman. The Authority paid a \$250,000 dividend (2018 - \$250,000) to the Cayman Islands Government during the 2019 year.

FINANCIAL PERFORMANCE

Through prudent financial management and stringent expense tracking the Authority has been able to, without the assistance of outside financial institutions or government financial support fund all operations and capital projects with internal cash reserves.

While the Government issued Moratorium on borrowing is still in place, the Authority successfully paid off all outstanding loans in June of 2019 and as at 31 December 2019 has no loans outstanding.

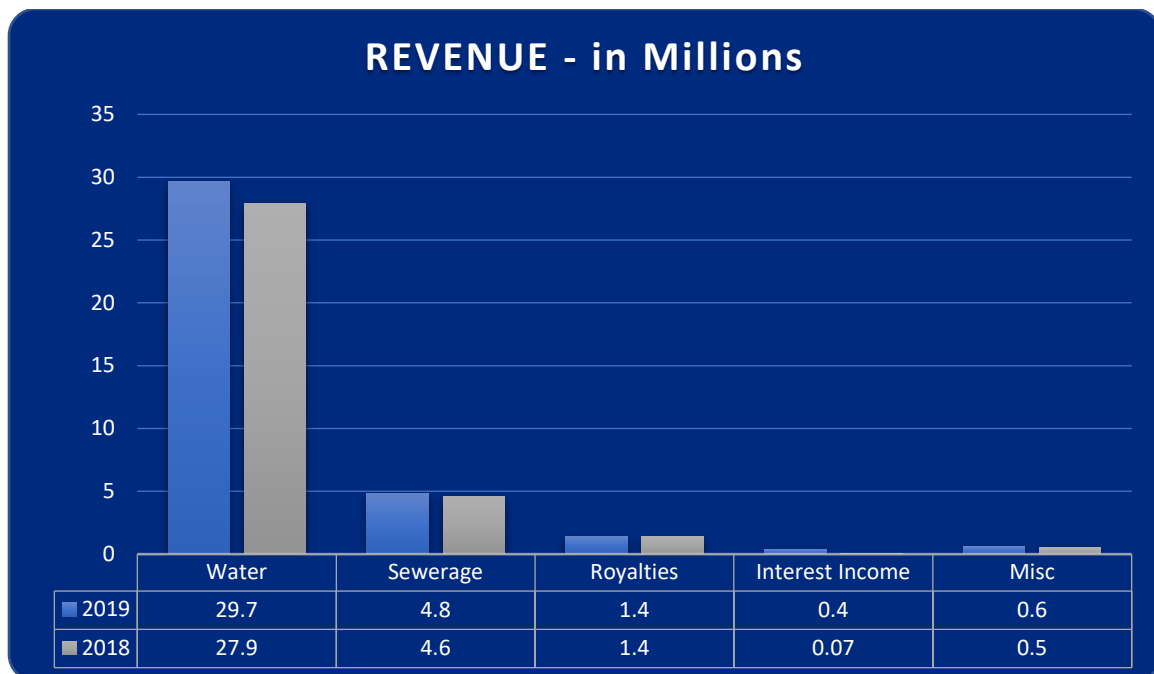
RATE ADJUSTMENT

Effective 1 July 2019, the Authority's base rates increased by 1.46% which was approved by OfReg, the regulator of the Energy & Utilities Sector. Despite the increase, a gallon of tap water still costs less than \$0.04, almost 98% cheaper than the price of bottled water. The rate adjustment places the Authority in a position to continue investing in the water and wastewater infrastructure; a necessary investment with respect the continued growth and development of the islands.

RESULTS FROM OPERATIONS

The primary revenue sources for the Authority remain unchanged with sales from potable water topping the list at 80.5% of total revenue with Sewerage Fees coming in second at 13.1% of total revenue. The remaining 6.4% consists of septage disposal, royalties and miscellaneous.

The Authority has maintained a strong cash flow and under Board direction cash reserved for future capital projects are placed in a term deposit with the Cayman Islands Treasury department to earn interest. In 2019 \$455,000 was earned in deposit interest with rates varying between 1.65% and 3.00% depending on value and term.



ACCOUNTING POLICIES

Under the guidance of IAS 16 and in consultation with the Office of the Auditor General (OAG) and KPMG the Authority formally adopted the IAS 16 reporting requirements in the 31 December 2019 financial statements and reclassified the majority of inventory from a current asset to Property Plant and Equipment (PP&E).

IFRS 16 was also formally adopted for the 31 December 2019 reporting which provides guidance on how to account for long term leases, where-by the present value of the lease is calculated, using a discount rate as prescribed by the Financial Secretary (4.75%) as at 31 December 2019. Both of these modified presentations are reflected in the Financial Statements in the appendix to this report.

Budget: The Authority submitted the 2020/2021 budget in May 2019 and conservatively forecasted the 2019 net income would be \$2.9 million, however the audited financial statements in the appendix clearly reflect that the Authority ended its financial year with a comprehensive net income of \$2.4 million.



PRIORITIES & ACHIEVEMENTS

PRIORITIES & ACHIEVEMENTS

The achievement of the strategic goals below is essential to the Authority's ability to continue to serve its water and sewerage customers to a high standard of service. Over the past fiscal year, the Authority has continued to make great strides towards the accomplishment of these strategic priority areas:



**GOAL 1: MAINTAIN
ADEQUATE
INFRASTRUCTURE TO
OPERATE EFFICIENTLY**



**GOAL 2: MAINTAIN WATER
PRODUCTION, CAPACITY,
DISTRIBUTION & STORAGE**



**GOAL 3: WATER
DISTRIBUTION EXTENSION
AND BLUFF WATER WORKS**



**GOAL 4: IMPROVE
INTEGRITY OF THE EXISTING
WASTEWATER COLLECTION
SYSTEM AND FUTURE
EXTENSIONS**



**GOAL 5: PROVIDE POTABLE
WATER TO LITTLE CAYMAN**



**GOAL 6: TOOLS, VEHICLES &
EQUIPMENT RENEWAL TO
SUPPORT WATER
AUTHORITY'S OPERATIONS
AND CAPITAL PROJECTS**

GOAL 1: MAINTAIN ADEQUATE INFRASTRUCTURE TO OPERATE EFFICIENTLY

This year, the Authority completed several pipeline upgrades and extensions to maintain operational efficiency and accommodate future development.

OWEN ROBERTS DRIVE	In January 2019 Water Authority crews completed the ongoing pipeline upgrade along Owen Roberts Drive, between Cayman Airways and Dorcy Drive. The 6-inch pipeline as upgraded to the 12-inch pipe.
MACLENDON DRIVE	Pipelaying work was done to install a 12-inch water main in Maclendon Drive, rather than along Dorcy Drive to ensure that there are two, independent water mains from the Authority's main water distribution pumping station to the water distribution to improve service reliability. Work began mid-April and was completed in June.
OLYMPIC WAY	In mid-June, the New Works team began work on Olympic Way to install approximately 1,100 ft of 12-inch pipe along the soon to be constructed Olympic Way Connector, between the University College of the Cayman Islands and Walker's Road. The installation was completed on 26 July.
HIGH ROCK ROAD	On 29 July Water Authority's New Works team mobilised to start work at the pipeline extension, of 12-inch PVC pipe 7,800 feet in length, along High Rock Drive to the proposed mental health facility. By the end of 2019 a total of 3,040 feet of pipeline was installed, almost 40% of the total project length. Progress was slightly less than anticipated due to the hardness of the rock encountered, as well as some issues with equipment.

MELMAC AVENUE

Following a series of leaks in the area, a decision made to replace the pipeline on Melmac Avenue. The Operations WS team completed the replacement of the 6-inch diameter pipeline along Melmac Ave in March.

BUTTERFLY CIRCLE

In July infrastructure upgrade works commenced at Butterfly Circle, off Hirst Road. The project comprised the replacement of just over 3,000 ft of 3-inch pipe with 4-inch and 6-inch pipe. The original pipeline was installed more than 25 years ago, and the upgrade was necessary to accommodate the anticipated development in the area better. Work was completed, and all customers were connected to the new pipeline in October.



Water Authority staff worked alongside Florida Aquastore to carry out preventative maintenance and minor repairs at the Red Gate Reservoir #2 and North Side Reservoir #1, in April and May respectively with both reservoirs restored to service.

In July the Red Bay Booster Pump Station was refurbished as the pump skid, which supported the pumps, valves and pipework, had corroded. Operations removed the steel skid and replaced it with concrete support structures, ensuring that this pump station will continue to operate reliably for years to come.

On 11 August Operations installed a vault at the intersection of Poindexter Road and Shamrock Road, which will house a District Meter Area (DMA) meter. Another DMA meter and vault was installed at the intersection of Agricola Road and Shamrock Road on 25 August. There is now a total of four DMA water meters installed, creating four distinct zones, where the net inflow can be compared against water sales and thus potential problem areas isolated and identified. This information is essential to reduce the amount of “lost” (non-revenue) water.



GOAL 2: MAINTAIN WATER PRODUCTION, CAPACITY, DISTRIBUTION & STORAGE



In anticipation of the construction of two additional water storage tanks at the North Side Water Works, approximately 2.5 acres were cleared at the site by Icon Heavy Equipment. The clearing of the site was completed in March. In July the Authority put out a tender seeking a heavy equipment company to carry out earthworks at the site. The works comprised of rock excavation, necessary to lower high spots to the final elevation and the installation and proper compaction of Imported Granulate Fill

necessary to fill the area to the ultimate elevation (approx. 3,500 cubic yard). KP Heavy Equipment Ltd. was awarded the contract and began work in late August, finishing in November.

On 15 March following a competitive tendering procedure the contract for the replacement of the Red Gate RO Building Roof at the Red Gate Water Works was awarded to Campbell Welding & Construction Services Ltd. Work commenced on 7 May and was completed on 22 May. The works comprised the replacement of the entire roof surface, approximately 2,400 square feet.



GOAL 3: WATER DISTRIBUTION EXTENSION AND BLUFF WATER WORKS

Throughout 2019 the Authority continued its mandate to extend the public water supply in Cayman Brac.



Works to upgrade the 6-inch pipeline, to 8-inch pipes, on Cross Road, between the West End Water Works and the intersection with the West End Road was scheduled to begin in April. However, the project was delayed by several weeks due to equipment issues with the Vermeer trencher. Once repair works were completed, work resumed on the project in June and was completed in November.

Work simultaneously commenced on the upgrade of the suction pipework at the West End Water Works from a 3-inch pipe to 6-inch pipe.

Other works that took place in 2019 include the installation of over 1,000 ft of 4-inch pipe in Georgiana Drive. This work completed the ongoing upgrade/repair work of the pipeline on West End Road (West).

Work resumed on the side roads east of Faith Hospital, with more than 1,250 ft of 4-inch pipeline installed. The Authority also relayed pipes in Faith Hospital access road due to construction at the hospital being too close to the water mains.

It is expected that the Authority will be entering the Spot Bay area in the first quarter of 2021.

As a continued incentive for Cayman Brac residents, the Board agreed at the 303rd meeting to continue to waive the installation fee for two years, from 1 January 2020- 31 December 2021. The total number of piped water customers increased from 329 in December 2018 to 364 at the end of December 2019, an increase of 11%.

In 2018 only two local tenders were received for the Exploratory Drilling Contract at the Cayman Brac Bluff Site and on Little Cayman.

Both tenders came in 90-315% higher than initially

estimated. The Authority directly contacted well-drilling companies in Florida to determine their interest in the work, as well as companies in Jamaica and the Bahamas. The previously issued tender documents for the Exploratory Drilling Contract was slightly modified and sent to two US-based well drillers who had previously expressed an interest in carrying out the work; however, neither company responded. The Authority is considering its options as this work is critical for the design of the abstraction and disposal wells for the future Reverse Osmosis plant at the Cayman Brac Water Works.



GOAL 4: IMPROVE INTEGRITY OF THE EXISTING WASTEWATER COLLECTION SYSTEM AND FUTURE EXTENSIONS

In February work commenced repairing the severely leaking 8-inch sewer pipeline on Lawrence Boulevard. The entire section was replaced with 8-inch HDPE pipe installed using pipe bursting.



The New Works Crew excavated for and installed new electrical conduits at the Wastewater Treatment Plant, between the Control Building and the SBR Cluster. The previous conduits were installed in 2003 and were prone to becoming submerged with groundwater, causing frequent electrical issues. The new conduits were

installed at a higher elevation.

GOAL 5: PROVIDE POTABLE WATER TO LITTLE CAYMAN

The Authority has been in discussion with the Ministry of Education, Youth, Sport, Agriculture and Lands to identify a suitable location for the future Water Authority Water Works in Little Cayman. In reviewing options, the Authority suggested a section of approximately 3- 4 acres of Crown Property along Spot Bay Road. The Ministry has indicated that it will prepare a Cabinet paper seeking approval to subdivide the Parcel to be vested in the Authority. The Ministry contacted the Department of Environment (DOE) for the National Conservation Council's comments. The DOE noted it had no objection to the intended use of the site provided that the proposed test well indicates that the plant will operate as the Authority anticipates, with the abstraction and disposal wells having no hydrological link to the Booby Pond protected area located to the south.

OTHER ACHIEVEMENTS:

The bid/tender to operate the Authority-owned North Side desalination plant was issued to three companies that had expressed an interest by responding to the notice in the Water Desalination Report on 17 September 2018. A mandatory pre-tender conference, with a tour of the SWRO plant, was held on 5 February 2019 to provide prospective tenderers with adequate information to prepare their tender. On 9 April the Authority received confirmation that the Public Procurement Committee had considered the evaluation report of the Operating contract for the Sea Water Reverse Osmosis Plant at the North Side Water Works and had voted to accept the recommendation to award this contract to Ocean Conversion (Cayman) Ltd (OCL). The Water Authority Board approved the Ocean Conversion (Cayman) LTD operating Agreement for the North Side Reverse Osmosis Plant on 17 April 2019. The operating agreement came into effect on 1 July 2019.



A METER READER
UTILISES THE NEW
SMPT
SMARTPHONE
SYSTEM.

In April the Authority's Meter Readers started meter reading on a new SMPT smartphone system. The benefits of the new system include GPS recording when readings are entered, therefore ensuring that Meter Reader is at the correct location. Fail audits high or low require the Meter Readers to take a picture of the reading, reducing the need for a truck roll if there is a query at the time of billing.

On 3 May the Authority hosted the Cogsdale Caribbean Regional User Group meeting. The all-day session covered several topics including general information on Cogsdale and their focus; product road maps and upcoming features; tips and tricks; most importantly networking with other utilities. The event was well attended by Water Authority staff, Cayman Water Company staff and several persons from the region.



THE AUTHORITY HOSTS
THE COGSDALE
REGIONAL USER GROUP
MEETING



LOOKING AHEAD

LOOKING AHEAD: FUTURE PROJECTS

The Authority maintains a 10-year Capital Development & Maintenance plan which identifies and prioritises the capital assets and financial resources required over the next ten years for the Water Authority of the Cayman Islands to successfully carry out its statutory mission to provide water and wastewater infrastructure and management of groundwater resources at a reasonable cost; to improve quality of life; to promote growth and development; and to do this all at no cost to the Cayman Islands Government.



GOAL 1: Maintain Water Production Capacity, Distribution and Storage to Ensure Distribution Reliability

Grand Cayman

2020

- Construct two 3-million-gallon water storage tank to accommodate expected growth.
- Expand the capacity of the existing booster station and an additional station for the water distribution system.

2021

- Additional RO Plants to accommodate expected growth within the distribution system, improve operational reliability and flexibility of distribution system and maintain consistent pressure.
- Acquisition of crown land to develop a water storage and re-pumping facility.



GOAL 2: Maintain Adequate Infrastructure to Operate Efficiently

Grand Cayman

2020

- Administration Office Extension will provide a purpose-built facility to accommodate a growing work force, a dedicated laboratory area, a secure location for internal file storage, water production, plant inventory, allowing accessibility and flexibility in retrieval, taking into consideration necessary precautions to protect contents from natural disasters and eliminate offsite storage fees
- A specially constructed building to efficiently service the Authority's growing vehicle and equipment fleet in a safe and efficient environment



GOAL 3: Water Distribution Extension and Water Works Facility

Cayman Brac

2020

- Cayman Brac Extension Project – Phase III. Install 8-inch pipe along the north coast to Spot Bay, extend the existing distribution system an additional 28,000 ft. providing piped water to nearly 400 residents.

2020/2021

- Bluff Water Works (BWW) Infrastructure –New infrastructure to accommodate the installation of two additional water storage tanks, construction for pumping station to treat and distribute water from the BWW.



GOAL 4: Improve the Integrity of Existing Collection System and Future Expansions

Grand Cayman

2020/2021

- Design and construction of Wastewater Treatment Plant – Phase II to expand current treatment facility to accommodate the growth within the catchment area and to be ready for any future collection system additions

2021 & Beyond

- Sewerage System Extensions. Replace existing privately-owned sewerage systems and install new extension to connect residents to the wastewater collection system to ensure proper treatment of wastewater





REGULATORY & STATUTORY

REGULATORY & STATUTORY

Following another successful audit by the American Association for Laboratory Accreditation (A2LA) in September 2019, the Water Authority Laboratory's Accreditation has been extended through November 2021. The audit process comprised of a rigorous review of the Laboratory's testing produces quality control, quality assurance, records, risk management and staffing competency. This accreditation ensures that the Laboratory meets the A2LA's ISO 17025:2017 accreditation standard.



The 17025 ISO accreditation standard was revised in 2017 and focuses on technology developments. The standard emphasises staff competency and is more aligned with Authority current global trends in the management and leadership of human capital; moving the Laboratory away from linear management to a more agile structure for managing processes and resources.

The Laboratory's accreditation was expanded to ensure reliable testing of corrosion-related parameters in drinking water; specifically, iron, copper, lead and zinc. Globally, public concern has grown regarding these parameters.

While the Authority's distribution network is primarily PVC, and there is no historical use of lead pipes in the Cayman Islands, there is local use of metal fittings internal copper piping, so the felt that it was prudent to add these parameters to its scope of accreditation.

The Laboratory is also now accredited to test hydrogen sulphide in the air. The A2LA accreditation was approved until 30 November 2021, following which the Authority will undergo another external audit to continue the accreditation.

In preparation of the design of the new Water Authority Laboratory Water Resources Engineer, Hendrik van Genderen and Laboratory Manager Marcela Martinez-Ebanks attended the 2019 annual LabDesign Conference in Orlando, Florida, to gain insight into designing the optimum Laboratory and learn important factors to take into consideration when the lab is being constructed. Mr van Genderen and Ms Martinez-Ebanks were able to learn from architects, engineers and scientist who have become specialise in lab design. A key focus of the conference was the evolution of the next generation of labs, which features open space, flexibility and spaces for interaction between staff.

Later in the year Marcela and Jerry Banks travelled to tour laboratories in Florida to see the practical application of laboratory design in action to better assist with the future laboratory extension



THE AUTHORITY'S
ONSITE
WASTEWATER
INSPECTOR HOSTS A
TRAINING SESSION
WITH LOCAL
SERVICE PROVIDERS



The Authority has made great strides raising the level of education and operational maintenance within the Cayman Islands, continuing its Onsite Wastewater Management Programme (OWMP). Launched in 2017, the program continues to successfully train local service providers. In 2019 a total of 41 professionals were certified through the programme, using the modified Small Wastewater System training programme from Sacramento State University. As the development

boom continues, the Authority continues to keep the pace to certify more individuals and has offered continuing education course to keep those already certified, up to date.

The Authority is a member of the Environmental Advisory Board (EAB) for the Integrated Solid Waste Management Project (ISWMS), a public/private partnership between the Cayman Islands Government and DECCO to develop a new waste management facility. The EAB held its first meeting on 14 May 2019 to discuss the initial outline of the remediation options for the ISWMS project. The Environmental Impact Assessment (EIA) process recommenced in October 2019, following the submission of the revised draft of the Terms of Reference. In October 2019 the EAB agreed that the proposed draft Terms of Reference met expectation and requirements of the EAB.

The Water Authority is also working with DART to develop a joint Hydrogen Sulphide (H₂S) monitoring programme that will ascertain the source(s) of and relative air quality impacts in the area around the Authority's Wastewater Plant, the landfill and Cayman International School. On 5 September 2019, a

trial run was carried out which confirmed that both parties H₂S analysers provided comparable results. The next steps will be to determine sample point locations, the frequency of sampling and the duration of the joint monitoring programme.

The Authority is also a member of OfReg's Fuel Standards Committee. The Committee is tasked with the development of fuel standards for the Cayman Islands. The Committee resumed meetings in June 2019

Additionally, the Authority continues to actively maintain its working relationship with the Department of Environment (DOE) and the Department of Environmental Health (DEH) to address ad hoc environmental concerns.



A LABORATORY
TECHNICIAN
CONDUCTS A
HYDROGEN SULPHIDE
READING



OUR PEOPLE

OUR PEOPLE

At the end of the fiscal period, the Authority had a staff of 137 persons across a total of six departments under the umbrella of the Executive Office: Engineering and Operations, Human Resources, Customer Service, Finance, Information Systems and Water Resources & Quality Control. There are 121 employees based in Grand Cayman and 16 based in Cayman Brac.

SOCIAL COMMITTEE

The Authority's Social Committee, which was established in 2018, aims to increase the Authority's participation in local community/wellness and athletic events; and 2019 was a year of growth and high activity for the Social Committee.

A total of ten staff members served on the Social Committee, with Graduate Engineer Jodiann Jackson serving as the Chairperson.

The Social Committee was responsible for organising several charitable and community events this year, including:

- A Literacy Day Book Drive, benefitting Literacy is for Everyone (LIFE);
- Seven (7) Charity Dress Down Day benefiting numerous non-profit organisations including the Cayman Islands Red Cross, the Special Needs Foundation, and Meals on Wheels;
- Eleven (11) Charity Walk/Runs benefiting organisations such as the Lions Club of Tropical Gardens, the Cayman Islands Crisis Centre and the Cayman Islands Cancer Society.



THE SPECIAL NEEDS
FOUNDATION WAS
THE BENEFICIARY OF
THE 2019 PROJECT
ANGEL TREE
FUNDRAISER

Throughout 2019 a total of \$4,907 was raised by staff, through community events organised by the Social Committee, which was matched by the Water Authority Board for a total of \$9,814.



The Social Committee not only focused on giving back to the Cayman community but also organised several social events and activities to bring the Authority's staff together. Some of these events included:

- Summer Starter Social (a dominoes tournament held in conjunction with Caribbean Utilities Company's Social Club);
- Academy Football Cup Tournament;
- Summer Bash (a family fun day at the Seven Mile Public Beach);
- Burger Day;
- And DMS Corporate Cup.

COMMUNITY OUTREACH

GIVING BACK TO THE COMMUNITY

Supporting the Cayman community is important to the Water Authority. The Water Authority Board's Sponsorship Assessment Sub-Committee approved a total of \$41,000 in financial support for several local charities, non-profits and community initiatives. Some of those organisations included Meal on Wheel's Orange You Glad Gala, Rotary Central's Annual Science Fair, and the Lighthouse School's Autism Awareness Walk/Run.



AGRICULTURE SHOW

In 2019 the Authority hosted a booth at the Grand Cayman Agriculture Show. Authority staff answered questions from the community, shared information about its Summer Internship Programme and served three refreshing infused water options, made with local fruits and herbs for visitors to try.

THE PUBLIC WAS
TREATED TO INFUSED
WATER AT THE
AUTHORITY'S BOOTH
AT THE AGRICULTURE
SHOW



EARTH DAY CLEAN UP

As an annual sponsor of the Chamber of Commerce's island-wide Earth Day Clean Up, several Water Authority staff joined in to do their part to keep the Cayman Islands' natural environment healthy and pristine. A team of 20 staff members and their family, focused its efforts on Spotter's Way in East End and collected over 50 bags of garbage in the surrounding areas.

WATER
AUTHORITY STAFF
PARTICIPATES IN
THE EARTH DAY
CLEAN UP



HURRICANE IVAN REMEMBRANCE

MEMBERS OF THE
PUBLIC VIEW THE
AUTHORITY'S
HURRICANE IVAN
EXHIBIT



The Authority commemorated the 15th anniversary of Hurricane Ivan by hosting a customer event that provided the opportunity to reflect on the lessons learnt following the hurricane and focus on efforts that have been and continue to be made to strengthen the Authority's infrastructure and resiliency. The event featured an exhibit that highlighted the impact of the storm. Additionally, visitors were able to gain important hurricane preparedness information.

WAC REPRESENTED AROUND THE WORLD

During the 2019 period, the Water Authority was represented at various conferences and leadership programmes around the world.

In April 2019, Dr Gelia Frederick-van Genderen attended the Global Water Summit in London, England. The theme of the summit was "Disruptive Design." Dr Frederick-van Genderen also participated in the Stockholm International Water Institute's (SIWI) annual World Water Week conference in August 2019, in Stockholm, Sweden. The theme of the conference focuses on a range of research and development topics within and around water, that support decision-makers around the world. The theme of the 2019 conference was "Water for Society: Including all."

THE AUTHORITY'S
DIRECTOR TOOK
PART IN THE
GLOBAL WATER
SUMMIT IN
LONDON.



The conference focused on how regional water utilities are working to mitigate the effects of climate change. Both men were able to network with and learn from regional peers.

In October Customer Service Manager Joanna Welcome-Martinez, Financial Controller Lori Bergstrom, Applications & Network Support Specialist Ruth Bodden and Applications & Network Support Specialist Designate Kristina Powell took part in the Harris Customer Training Conference in Denver, Colorado, USA. The conference offered the opportunity to learn about the latest features and updates in customer service software and learn how to maximise these for the Authority's operations. Participants were

also able to network with other water providers from the region and share best practices.

APPLICATIONS &
NETWORK SPECIALIST
DESIGNATE KRISTINA
POWELL ATTENDS THE
HARRIS CUSTOMER
TRAINING CONFERENCE



CHAIRMAN'S AWARD RECIPIENTS

The Chairman's Award is a prestigious award given on an annual basis to an employee, or group of team members who have shown exemplary service, nominated by the Senior Management Team and approved by the Chairman. In 2019 two employees were honoured with the award: Quality Assurance Inspector George Forrester and Engineer-Water Production Ahmed Elsheshtawy, PE.

Mr Forrester was nominated for his dedication and exemplary performance. He was praised for his conscientious attitude, his ability to meet the challenges of his role, his professionalism when working with customers, and his courteous spirit.

Mr Elsheshtawy was nominated for achieving his Professional Engineering (PE) license, from the Texas Board of Professional Engineers and Land Surveyors this year. Mr Elsheshtawy has also been involved and contributes significantly in the Authority's careers presentation and tour and is an active member of the Authority's Social Committee.



PATERNITY LEAVE

In 2019 the Water Authority adopted a Paternity Leave Policy. The policy allows a male employee, who has completed at least 12 months of continuous service, to have two working weeks of paternity leave surrounding the birth or adoption of a child. If the employee has less than one year of service, the number of days will be prorated. As the Labour Law does not address Paternity Leave, the Authority used the Cayman Islands Government Personnel Regulations (2019 Revisions) as a guide in developing its policy.

EDUCATIONAL OUTREACH

The Authority continued to demonstrate its commitment to local education throughout the 2019 fiscal year through a series of initiatives, including its Annual \$30,000 Scholarship, its Summer Work Experience Programme, and its Educational Tour Programme.



In October 2019, the Authority announced that for the first time, it would award its Annual \$30,000 Scholarship to two recipients. The 2019/2020 award recipients are Alexander Elias and Kaled Giron. Mr Elias is a graduate of Cayman Prep & High School and is pursuing a degree in Applied Computer Science at Dalhousie University. Mr Giron is a

graduate of Joh Gray High School and earned his Associates of Science in Computer Science from the University College of the Cayman Islands. He is pursuing a degree in Information Technology at Florida International University.

The Water Authority family grew with the return of two of its scholarship recipients, Kristina Powell and Chynna Retumban.

Ms Powell was the Authority's 2016/2017 scholarship recipient. She earned a Bachelor of Science in Management Information Systems from the University of Tampa. She joined the Authority as a full-time employee in January of 2019 as an Applications & Network Support Specialist (Designate) with the Information Systems Department.



and a Master of Science in Green & Sustainable Chemistry from the University of Nottingham. She joined the Authority full time in March of 2019 as a Laboratory Technician II and later promoted to Laboratory Technologist in September 2019 with the Water Resource & Quality Control Department.

CONGRATULATIONS
TO KODIE SCOTT FOR
COMPLETING HIS
MASTER DEGREE IN
PUBLIC HEALTH



In addition to welcoming back its two scholarship recipients, the Authority also celebrate the achievements of its Senior Development Control Technologist, Kodie Scott. Mr Scott completed his Master of Science in Public Health (Global Health) in December 2018 with the support of an educational sponsorship from the Authority.

The Authority also welcomed twenty-one interns into its annual Summer Work Experience Programme this year. The programme enables students to gain hands-on experience working in a professional environment while introducing them to a variety of careers available in the water and wastewater sector.



THE AUTHORITY
WELCOMED TWENTY-
ONE INTERNS FOR ITS
2019 SUMMER WORK
EXPERIENCE
PROGRAMME

Representing a variety of educational backgrounds and career aspirations, the interns worked across the Authority's various departments, including Water Resources & Quality Control, Engineering Services, Operations, Information Systems, Finance, Customer Service and Human Resources. One of this year's interns is the current Scholarship Recipients Lisaida Swaby-Oliva.

The Authority's Educational Tour Programme continues to be a success with local schools and educators. This year, the Authority welcomed a total of six school groups to its facilities, including the University College of the Cayman Islands Nursing School and participants of Passport 2 Success.

In 2019 the Authority took part in the Cayman Islands Further Education Centre (CIFEC) Careers Fair to promote the Authority's Annual Scholarship and Work Experience

programme, as well as share information about the career opportunities available within the water and wastewater industry.

The Authority also participated in CIFEC's

annual mock interview programme which aims to gauge student's workplace readiness and provide students with advice on how they can better prepare themselves for the workforce.



WATER AUTHORITY
PARTICIPATES IN THE
2019 CIFEC CAREERS
FAIR





FINANCIAL STATEMENTS

**THE WATER AUTHORITY
OF THE CAYMAN ISLANDS**

FINANCIAL STATEMENTS
31 December 2019

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Water Authority of the Cayman Islands
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
31 December 2019

These financial statements have been prepared by the Water Authority of the Cayman Islands in accordance with the provisions of the *Public Management and Finance Law (2018 Revision)* and reference to *Section 17(1)* of the Water Authority Law (2018 Revision). The financial statements comply with International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2018 Revision)*.

As Chairman, Director and Financial Controller, we are responsible for establishing, and have established and maintained, a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Water Authority of the Cayman Islands.

As Chairman, Director and Financial Controller, we are responsible for the preparation of the Water Authority of the Cayman Islands' financial statements and for the judgements made in them.

The financial statements present fairly the statement of financial position, statement of comprehensive income, statement of changes in shareholder's equity, and statement of cash flows as at and for the year ended 31 December 2019.

To the best of our knowledge we represent that these financial statements are:

- (a) complete and reliably reflect the financial transactions of the Water Authority of the Cayman Islands as at and for the year ended 31 December 2019;
- (b) fairly reflect the financial position as at 31 December 2019 and comprehensive income as at and for the year ended 31 December 2019; and
- (c) comply with International Financial Reporting Standards adopted by International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and jointly expresses an opinion on the accompanying financial statements. The Office of the Auditor General and its agent have been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

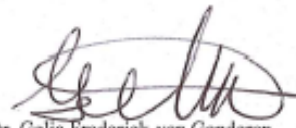
Mr. Kearney Gomez

Chairman
Water Authority of the Cayman Islands



Dr. Gelia Frederick-van Genderen

Director
Water Authority of the Cayman Islands



Ms. Lori Bergman

Financial Controller
Water Authority of the Cayman Islands



Independent Auditors' Report to the Shareholder and Members

Opinion

We have audited the financial statements of The Water Authority of the Cayman Islands (the "Water Authority"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Water Authority as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Water Authority in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Restrictions on Distribution or Use

This report is prepared for and only for the Shareholder and Members of the Water Authority in accordance with the terms of an engagement letter dated 5 November 2019, and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come.

Emphasis of Matter

As outlined in note 14 of the financial statements, the Public Authorities Law (2020 revision), subsection 47 – Terms and conditions and remuneration of staff, requires all Statutory Authorities to comply with its requirements to standardise salaries and benefits by 1 June 2019. As at the date of this report the Water Authority was still in the assessment phase with the Portfolio of the Civil Service to finalize the process and determine the financial impact, if any, on the financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Water Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Water Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Water Authority's financial reporting process.

Independent Auditors' Report to the Shareholder and Members (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Water Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Water Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Water Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the Public Management and Finance Law (2018 Revision). We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

30 April 2020

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CAYMAN ISLANDS

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Sue Winspear
Auditor General

30 April 2020



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Water Authority of the Cayman Islands
Statement of Financial Position
As at 31 December 2019
(Stated in Cayman Islands dollars)

	Note	31 December 2019	31 December 2018
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	65,076,173	65,306,190
Total non-current assets		65,076,173	65,306,190
<i>Current assets</i>			
Cash and cash equivalents		9,819,276	10,364,744
Fixed deposits		24,575,776	14,191,034
Accounts receivable, net	3	4,078,740	3,508,723
Unbilled revenue	10	1,815,831	986,877
Inventory, net	4	111,507	1,335,340
Prepaid expenses		72,387	204,416
Total current assets		40,473,517	30,591,134
Total assets		105,549,690	95,897,324
Liabilities and shareholder's equity			
Liabilities			
<i>Non-current liabilities</i>			
Lease liabilities	12	96,414	-
Employee pension benefits, net	9(a)	2,621,000	2,182,000
Pension employee healthcare benefits, net	9(c)	7,032,000	5,119,000
Non-pension employee healthcare benefits, net	9(d)	17,795,000	11,645,000
Total non-current liabilities		27,544,414	18,946,000
<i>Current liabilities</i>			
Accounts payable		1,284,747	1,792,819
Contract retention payable		56,594	84,563
Customer deposits		1,557,657	1,443,054
Loans payable	6	-	613,344
Total current liabilities		2,898,998	3,933,780
Total liabilities		30,443,412	22,879,780
Shareholder's equity			
Contributed capital	7	236,000	236,000
Retained earnings		74,870,278	72,781,544
Total shareholder's equity		75,106,278	73,017,544
Total liabilities and shareholder's equity		105,549,690	95,897,324

On behalf of the Board on 30 April 2020

KEARNEY GOMEZ

GELIA FREDERICK-VAN GENDEREN

LORI BERGMAN

Chairman

Director

Financial Controller

The accompanying notes form an integral part of these financial statements.

Water Authority of the Cayman Islands
Statement of Comprehensive Income
For the Year Ended 31 December 2019
(Stated in Cayman Islands dollars)

	Note	31 December 2019	31 December 2018
Operating revenue			
Water sales		29,711,364	27,859,523
Sewerage fees		4,841,135	4,573,720
Septage disposal		236,437	158,235
Agency work		166,229	76,182
Connection and miscellaneous fees		24,040	20,900
Total operating revenue		34,979,205	32,688,560
Operating expenses			
Water purchases and production		6,801,069	7,110,937
Depreciation expense	5	3,961,726	3,710,357
Salaries		3,233,060	3,190,995
Repairs and maintenance		1,603,412	2,419,060
Wages		1,333,898	1,223,323
Electricity		1,275,393	1,183,426
Supplies		837,385	875,681
Miscellaneous		325,324	346,856
Land lease expense		-	12,335
Impairment of property, plant and equipment	5	213,853	407,950
Total operating expenses		19,585,120	20,480,920
Finance costs			
Loan interest		16,601	81,347
Gross operating profit		15,377,484	12,126,293
Other income			
Royalties		1,418,103	1,409,401
Other		120,181	103,929
Statutory licencing fees		15,093	40,634
Interest income		386,047	68,087
Total other income		1,939,424	1,622,051
Operating profit		17,316,908	13,748,344

(continued)

The accompanying notes form an integral part of these financial statements.

Water Authority of the Cayman Islands
Statement of Comprehensive Income (continued)
For the Year Ended 31 December 2019
(Stated in Cayman Islands dollars)

	Note	31 December 2019	31 December 2018
Administration expenses			
Salaries	8	2,334,836	2,216,392
Staff training and benefits		1,805,662	1,753,023
Non-pension employee healthcare benefits cost	9(d)	1,315,000	1,438,000
Insurance		833,939	833,791
Telephone and utilities		427,270	403,089
Miscellaneous		380,259	443,377
Information systems		379,629	440,820
Pension employee healthcare benefits cost	9(c)	335,000	336,000
Legal and professional fees		261,924	356,223
Depreciation expense	5	134,598	134,598
Repairs and maintenance		132,402	116,378
Licenses and dues		92,322	99,765
Office and lab supplies		54,345	22,813
Office rental		4,320	4,320
Defined benefit pension cost	9(a)	(24,000)	28,000
Bad debt expense		(365,332)	187,484
Total administration expenses		8,102,174	8,814,073
Net profit for the year		9,214,734	4,934,271
Other comprehensive (loss)/income			
Remeasurements of non-pension employee healthcare plan	9(d)	(4,835,000)	2,298,000
Remeasurements of pension employee healthcare plan	9(c)	(1,578,000)	777,000
Remeasurements of defined benefit pension plan	9(a)	(463,000)	361,000
		(6,876,000)	3,436,000
Comprehensive income for the year		2,338,734	8,370,271

The accompanying notes form an integral part of these financial statements.

Water Authority of the Cayman Islands
Statement of Changes in Shareholder's Equity
For the Year Ended 31 December 2019
(Stated in Cayman Islands dollars)

	Note	31 December 2019	31 December 2018
Contributed capital			
Balance at beginning of year	7	236,000	236,000
Retained Earnings:			
Balance at beginning of year		72,781,544	63,801,187
IFRS 9 opening balance adjustment	11	-	860,086
Adjusted balance at the beginning of the year		72,781,544	64,661,273
Net income for the year		9,214,734	4,934,271
Other comprehensive (loss)/income for the year		(6,876,000)	3,436,000
Contribution to Government	8	(250,000)	(250,000)
Balance at end of year		74,870,278	72,781,544
Total shareholder's equity		75,106,278	73,017,544

The accompanying notes form an integral part of these financial statements.

Water Authority of the Cayman Islands
Statement of Cash Flows
For the Year Ended 31 December 2019
(Stated in Cayman Islands dollars)

	Note	31 December 2019	31 December 2018
Cash flows from operating activities			
Net income for the year		9,214,734	4,934,271
Adjustments to reconcile net income for the year to net cash generated by operating activities:			
IFRS 9 opening adjustment		-	860,086
Depreciation expense	5	4,096,324	3,844,955
Impairment of property, plant and equipment	5	213,853	407,950
Add/(deduct) net changes in non-cash operating balances:			
Accounts receivable, net		(570,017)	(1,184,799)
Unbilled revenue		(828,954)	(115,017)
Inventory, net		102,077	(55,622)
Prepaid expenses		132,029	(72,703)
Accounts payable		(508,072)	511,860
Contract retention payable		(27,969)	19,889
Customer deposits		114,603	60,083
Employee pension benefits, net		(24,000)	28,000
Pension employee healthcare benefits, net		335,000	336,000
Non-pension employee healthcare benefits, net		1,315,000	1,438,000
Net cash generated by operating activities		13,564,608	11,012,953
Cash flows from investing activities			
Property, plant and equipment purchased	5	(2,854,586)	(4,087,273)
Purchase of fixed deposits		(10,384,742)	(14,191,034)
Net cash used in investing activities		(13,239,328)	(18,278,307)
Cash flows from financing activities			
Repayment of loans payable		(613,344)	(1,168,679)
Payment of lease liabilities		(7,404)	-
Contribution to Government	8	(250,000)	(250,000)
Net cash used in financing activities		(870,748)	(1,418,679)
Net decrease in cash and cash equivalents during year		(545,468)	(8,684,033)
Cash and cash equivalents at beginning of year		10,364,744	19,048,777
Cash and cash equivalents at end of year		9,819,276	10,364,744
Supplemental disclosure for cash flow information:			
Cash paid during the year for interest		-	-

The accompanying notes form an integral part of these financial statements.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

Establishment and Principal Activities

The Water Authority of the Cayman Islands (the "Water Authority") is a statutory body, wholly owned by the Government of the Cayman Islands (the "Government"), established on 1 January 1990, under the *Water Authority Law (Law 18 of 1982)*, as amended.

The Water Authority is principally engaged in the management of water supply and sanitation affairs of the Cayman Islands including the provision of public water supplies, sewerage systems and the management, development and protection of water resources.

During the prior period the regulatory responsibility previously held by the Water Authority was transitioned to the Utility Regulation and Competition Office ("OfReg"). The Water Authority still maintains control of certain statutory functions.

The Public Authorities Law, (2020 Revision) came into force on 1 June 2017. The purpose of the Law is to provide uniform regulation of the management and governance of public authorities.

As at 31 December 2019, the Water Authority had 139 employees (31 December 2018: 129 employees). The Water Authority is located at 13G Red Gate Road, P.O. Box 1104, KY1-1102, George Town, Grand Cayman, Cayman Islands.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

(b) Basis of preparation

The financial statements of the Water Authority are prepared on the accrual basis under the historical cost basis.

(c) New or revised standards adopted

(i) IFRS 16

IFRS 16 'Leases' (herein after referred to as 'IFRS 16') replaces IAS 17 that relates to the classification and presentation of leases. The Water Authority has adopted this new standard for leases (see Note 12 below) using a modified retrospective approach.

(d) Functional and presentation currency

These financials are presented in Cayman Islands dollars (CIS), which is the Water Authority's functional currency. All information has been rounded to the nearest dollar.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Significant Accounting Policies (continued)

(e) Property, plant and equipment

i) Recognition and measurement:

Items of property, plant and equipment are stated at cost less accumulated depreciation and any net accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labour and related costs to put the assets into service and capitalised borrowing costs. Certain costs capitalised within self-constructed assets are based on management's estimate of the actual amounts directly attributable to the self-constructed asset.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in the statement of comprehensive income.

(ii) Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Water Authority and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment such as maintaining underground piping are recognised in the statement of comprehensive income as incurred.

(iii) Depreciation:

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed. If a component has a useful life that is different from the remainder of the asset, that component is depreciated separately.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Water and sewerage systems	8 to 50 years
Other assets	3 to 10 years

(iv) Construction in progress:

Construction in progress represents property, plant and equipment projects which are not yet completed at the period end date. Upon completion, the construction in progress is transferred to the relevant category of property, plant and equipment and depreciation commences when the asset is available for use.

(f) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the fiscal period end date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the statement of comprehensive income.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Significant Accounting Policies (continued)

(g) Use of estimates and judgement

The preparation of the financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual amounts may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future years, where applicable.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables

The Water Authority utilises an expected credit loss model to estimate the allowance for doubtful accounts. For trade receivables the simplified approach is followed by the Water Authority measuring the loss allowance at an amount equal to lifetime expected credit losses.

(ii) Valuation of long lived assets

The Water Authority performs impairment testing when circumstances indicate that there may be impairment for long-lived assets. Management judgment is involved in determining if there are circumstances indicating that testing for impairment is required and in determining the grouping of assets to identify their Cash Generating Units ("CGU") for purposes of impairment testing.

The Water Authority assesses impairment by comparing the recoverable amount of a long-lived asset, CGU or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves Management judgment and estimation.

(iii) Valuation of employee benefit plans

The cost of pensions and other retirement and healthcare benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, rates of inflation, retirement ages of employees and mortality rates. Discount rates used in actuarial calculations are based on market yields on high quality bonds (consistent with the term of the benefit obligation) and can have a material effect on the amount of plan liabilities and service costs. Management employs external experts to advise the Water Authority when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realised, employee benefit plan assets and liabilities and comprehensive income will be affected.

(iv) Depreciation and amortization

The Water Authority's property and equipment is depreciated and amortised on a straight-line basis, taking into account the expected useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net income and comprehensive income.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Significant Accounting Policies (continued)

(g) Use of estimates and judgement (continued)

(v) Self-constructed assets

Included within plant, property and equipment are self-constructed assets for which costs are based on directly attributable inputs and allocations of costs incurred to bring the assets to the location and condition necessary for its intended use. Allocations of costs include estimates for fuel and costs for equipment usage.

(h) Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of loan interest, except where interest incurred on a qualifying asset is capitalised. The interest expense of loan payments is recognised in the statement of comprehensive income using the effective interest rate and or straight line method as appropriate.

(i) Revenue recognition

The Water Authority offers a variety of services and invoicing is dependent on the type of service rendered. Bills for water are based on consumption and billed monthly, sewerage fees are fixed in nature and billed monthly and other services including septage disposal and lab fees for water testing are billed on performance of the service. Revenue derived from such sources is accounted for when the respective performance obligations have been met. See Note 10 for additional disclosures.

(j) Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. IFRS 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

(i) Financial assets

The Water Authority classifies its financial assets, cash and cash equivalents, fixed deposits and accounts receivable, as amortised cost. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Water Authority has transferred substantially all risks and rewards of ownership. The Water Authority's financial assets are carried at amortised cost using the effective interest method.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(ii) Financial liabilities

The Water Authority classifies its financial liabilities as other financial liabilities. Such financial liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and loans payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(iii) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the Water Authority's statement of financial position when, and only when, the Water Authority has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and short term deposits with original maturities of three months or less.

(l) Fixed Deposits

The Water Authority has funds held on fixed deposits with the Treasury of the Cayman Islands Government with varying maturity dates ranging from 6-14-months.

(m) Inventory

Inventory consists of consumables and water. Consumables are accounted for on a first in first out basis. Water inventory is calculated at the cost of water plus chemicals multiplied by the volume of water. Inventories are valued at the lower of cost and net realisable value.

(n) Spare parts

Spare parts are capital spare parts held by the Authority and are depreciated over their useful lives when put into service. Spare parts are included in property, plant and equipment in the statement of financial position.

(o) Employee Benefit Plans

The Water Authority provides post-employment benefits through a defined benefit pension plan, a defined contribution pension plan, and defined benefit healthcare plans. In addition, during the period ended 31 December 2017 the Authority has also established a non-pension employee healthcare benefits plan.

(i) Defined benefit plans (defined benefit pension plan; pension employee healthcare plan; and non-pension employee healthcare plan)

The Water Authority's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior period, discounting that amount and deducting any fair value of any plan assets.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

2. Significant Accounting Policies (continued)

(o) Employee Benefit Plans (continued)

(i) Defined benefit plans (defined benefit pension plan; pension employee healthcare plan; and non-pension employee healthcare plan) (continued)

The cost of the defined benefit plans earned by employees are actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, and mortality rates. When the calculation results in a net benefit asset, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive loss. The net interest expense on the net defined benefit liabilities for the period is determined by applying the discount rates used to measure the defined benefit obligations at the beginning of the annual period to the net defined benefit liabilities, taking into account any changes in the net defined benefit liabilities during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the statement of comprehensive income.

The Water Authority's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. To calculate the estimated amount for the pension obligation, the years of service and estimated salary upon retirement have been used.

The Water Authority's net obligation in respect of the healthcare plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. To calculate the estimated amount for the healthcare obligation, the years of service limit of 10 years and estimated health insurance premiums have been used.

The discount rates used to value the defined benefit obligations is based on a yield of high quality corporate bonds, in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations.

(ii) Defined contribution plans

The Water Authority's obligations for contributions to defined contribution pension plans are recognised in the statement of comprehensive income in the periods during which services are rendered by employees.

(p) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in these financial statements.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

3. Accounts Receivable, net

Lifetime expected credit losses have been calculated using sales invoices billed between 1 January 2019 and 31 December 2019 and the actual cash collection dates of these invoices to determine a historical collection profile by aging category.

	<u>31 December 2019</u>	<u>31 December 2018</u>
Trade Receivables	4,102,814	3,898,883
Other Receivables	414,450	856,905
Allowance for Doubtful Accounts	(438,524)	(1,247,065)
CIS	4,078,740	3,508,723

4. Inventory, net

	<u>31 December 2019</u>	<u>31 December 2018</u>
Spare Parts	-	1,266,721
Consumables	51,044	53,089
Water Inventory	76,324	84,480
Provision for Obsolete Inventory	(15,861)	(15,861)
CIS	111,507	1,335,340

During the year the Authority reclassified certain items from inventory to property, plant and equipment.

5. Property, plant and equipment

The following projects classified as construction in progress are included in property, plant and equipment:

	<u>31 December 2019</u>	<u>31 December 2018</u>
1. Grand Cayman – WBSS – Pipeline Install	809,947	809,947
2. Cayman Brac – Site Preparation	546,287	546,287
3. Grand Cayman – North Side Water Works Site Preparation	207,165	-
4. Cayman Brac – Distribution Extension	190,001	139,999
5. Cayman Brac – Upgrade to Water Distribution Pumps	13,327	13,327
6. Grand Cayman - District Metering Vaults	-	6,465
CIS	1,766,727	1,516,025

Following competitive tendering procedures the day-to-day operations of the North Sound, North Side and Red Gate reverse osmosis plants are managed by Ocean Conversion (Cayman) Limited under formal operating agreements until 31 January 2024, 30 June 2026 and 31 January 2024 respectively.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

5. Property, plant and equipment (continued)

	<u>31 December 2019</u>							
	<u>Freehold Land</u>	<u>Buildings</u>	<u>Water Supply</u>	<u>Sewage</u>	<u>Other Assets</u>	<u>Construction in Progress</u>	<u>Right-of Use Assets</u>	<u>Spare Parts</u>
Cost								Total
Balance at beginning of year	3,555,599	5,650,711	74,878,794	30,243,482	8,896,892	1,516,025	-	124,741,503
Transition to IRFS 16	-	-	-	-	-	-	103,818	-
Additions	-	-	-	167,697	831,730	1,855,159	-	2,854,586
Disposals - impairment	-	-	(396,504)	(46,291)	-	-	-	(442,795)
Disposals	-	-	-	(14,526)	(151,037)	-	-	(165,563)
Transfers from Inventory	-	-	-	-	-	-	1,121,756	1,121,756
Transfers between fixed assets	-	-	1,532,577	121,094	(49,214)	(1,604,457)	-	-
Balance at end of year	3,555,599	5,650,711	76,014,867	30,471,456	9,528,371	1,766,727	1,121,756	128,213,305
CIS								
Accumulated Depreciation								
Balance at beginning of year	-	1,604,130	34,448,358	16,287,463	7,095,362	-	-	59,435,313
Depreciation expense	-	113,012	2,570,241	908,449	495,184	-	9,438	4,096,324
Disposals - impairment	-	-	(200,244)	(28,698)	-	-	-	(228,942)
Disposals	-	-	-	(14,526)	(151,037)	-	-	(165,563)
Balance at end of year	-	1,717,142	36,818,355	17,152,688	7,439,510	-	9,438	63,137,132
CIS								
Net Book Value at 31 December 2019								
CIS	3,555,599	3,933,569	39,196,512	13,318,768	2,088,862	1,766,727	94,380	65,076,173

During the year ended 31 December 2019, the Water Authority identified projects to be upgraded which resulted in a net impairment loss of the original assets of CIS213,853 (31 December 2018: CIS407,950) that was recorded against plant and equipment assets in the water supply and sewage categories. The total cost of the refurbishments and replacement was CIS787,533 (31 December 2018: CIS1,164,002).

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

5. Property, plant and equipment (continued)

	Freehold Land	Buildings	Water Supply	Sewage	Other Assets	Construction in Progress	Total
Cost							
Balance at beginning of year	3,555,599	5,650,711	72,234,100	29,719,217	8,228,307	1,994,707	121,382,641
Additions	-	-	-	449,531	668,585	2,969,157	4,087,273
Disposals - impairment	-	-	(653,130)	(69,373)	-	-	(722,503)
Disposals	-	-	-	(5,908)	-	-	(5,908)
Transfers between fixed assets	-	-	3,297,824	150,015	-	(3,447,839)	-
Balance at end of year C\$	3,555,599	5,650,711	74,878,794	30,243,482	8,896,892	1,516,025	124,741,503
Accumulated Depreciation							
Balance at beginning of year	-	1,491,113	32,254,183	15,482,839	6,682,684	-	55,910,819
Depreciation expense	-	113,017	2,467,110	852,150	412,678	-	3,844,955
Disposals - impairment	-	-	(272,935)	(41,618)	-	-	(314,553)
Disposals	-	-	-	(5,908)	-	-	(5,908)
Balance at end of year C\$	-	1,604,130	34,448,358	16,287,463	7,095,362	-	59,435,313
Net Book Value at 31 December 2018 C\$	3,555,599	4,046,581	40,430,436	13,956,019	1,801,530	1,516,025	63,306,190

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

6. Loans payable

The Water Authority has an overdraft facility at 4.25% interest per annum with First Caribbean International Bank in the amount of CI\$416,000 (31 December 2018: CI\$416,000). At 31 December 2019, CI\$ Nil (31 December 2018: CI\$Nil) of the overdraft facility was being utilised.

7. Contributed capital

The Government provided 12.58 acres of land on Cayman Brac to the Water Authority of the Cayman Islands during the 2009/10 fiscal period at no cost. The fair market value at the time of transfer was CI\$236,000, which has been recorded as contributed capital in the statement of financial position.

8. Related Party Transactions

The Government of the Cayman Islands appoints the Chairman and Members to the Water Authority's Governing Board who collectively received CI\$18,450 (31 December 2018: CI\$19,700) relating to their services rendered during the year ended 31 December 2019. The following transactions occurred during the year between the Water Authority and the Government of the Cayman Islands.

1. The Water Authority paid a contribution to the Government in the amount of CI\$250,000 (31 December 2018: CI\$250,000).
2. The remuneration of directors and other members of key management personnel for the year ended 31 December 2019 was CI\$965,165 (31 December 2018: CI\$942,472). This amount entirely pertains to short-term employee benefits, namely salary, medical insurance and pension contributions. No loans were issued to key management personnel during the year (31 December 2018: CI\$Nil). There were 7 personnel categorised in 2019 broken down as 6 key management personnel and 1 Director (31 December 2018: 6 key management personnel and 1 Director).

During the period, the Water Authority provided, at no charge to the Government of the Cayman Islands, the availability and use of water for fire fighting, free sewerage service to a number of indigent persons in the Watler's Road area, supervision of water resources, administration of Plumbers Examination Board, consultative services for development control, and water at a reduced Public Authority rate. The Water Authority does not estimate the value of these services provided to the Government of the Cayman Islands.

9. Employee Benefits

a) Defined Benefit Pension Plan

The Public Services Pension Plan is managed by the Government of the Cayman Islands through the Public Services Pension Board. The Board is responsible for among other things, administering the Public Service Pensions Fund (the "Fund"), communicating with plan participants and employers, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the Public Service Pensions plans as needed. The current number of active employees enrolled under the defined benefit plan is 4 (31 December 2018: 4).

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

The Water Authority recognises the defined benefit pension plan as a net liability in its statement of financial position once the actuarial valuations are completed. For the defined net pension liability the Water Authority has recognised the actuarial liability since its date of establishment in 1990.

The most recent actuarial valuation for IAS 19 reporting was conducted on 21 April 2020 using data as at 30 September 2019. Management use this as best estimate to record the defined benefit pension plan and the profit and loss charges associated with the plan's participation as at and for the year ended 31 December 2019.

The actuarial position is as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Defined benefit obligation	(3,950)	(3,083)
Fair value of plan assets	1,329	901
Net liability at end of year	<u>(2,621)</u>	<u>(2,182)</u>

The present value of the funded obligation changes as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Defined benefit obligation at beginning of year	3,083	3,329
Current service cost	49	52
Interest expense	129	117
Plan participant contributions	14	13
Remeasurements	675	(428)
Defined benefit obligation at end of year	<u>3,950</u>	<u>3,083</u>

The fair value of the plan assets during the year changed as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Fair value of plan at beginning of year	901	814
Interest income	40	31
Employer contributions	162	110
Plan participant contributions	14	13
Remeasurements	212	(67)
Fair value of plan at end of year	<u>1,329</u>	<u>901</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

The defined benefit cost included in net income is comprised as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Current service cost, net of employee contributions	49	52
Net interest cost	89	86
Total defined benefit cost	138	138
Employer contributions recognised in administrative expenses	(162)	(110)
Net defined benefit cost	(24)	28

The remeasurements included in other comprehensive income/(loss) are comprised as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Effect of changes in demographic assumptions	(15)	(29)
Effect of changes in financial assumptions	640	(447)
Effect of experience adjustments	50	48
Return on plan assets (excluding interest income)	(212)	67
Remeasurements	463	(361)

The distribution of the plan assets based on the share of the total fund allocated to the Water Authority was as follows:

	31 December 2019	31 December 2019
Equity securities	79%	79%
Debt securities	20%	20%
Cash	1%	1%

The principal actuarial assumptions at the date of valuation:

A. Cost method - Projected Unit Credit

B. Economic assumptions used to determine the net benefit obligations as at:

	31 December 2019	31 December 2018
Discount rate	3.50%	4.50%
Salary increase	2.50%	2.50%
Future pension increases	2.00%	2.00%

C. Other assumptions –

1. Mortality – standard U.S. mortality rates
2. Retirement age – completion of age 57 and 10 years of service

D. Asset valuation – fair market value

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

The defined benefit pension obligation is calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the defined benefit pension obligation. The pension plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. A decrease in corporate bond yields will increase the defined benefit pension obligations. This will be partially offset by an increase in the fair value of the pension plans' bond holdings.

The Water Authority's defined benefit pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The defined benefit pension obligation will be affected by the rate of pension increase as well as increase in pensionable earnings.

The majority of the defined benefit pension plan's obligation is to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the defined benefit pension obligations.

b) Defined Contribution Pension Plan

In accordance with the *National Pensions Law of June 1998*, all new employees who are not participants in the Public Service Pensions Fund are enrolled in an approved local defined contribution pension plan with British Caymanian Pension. During the period, the Water Authority and its employees paid 5% and 5% (31 December 2018: 5% and 5%), respectively of salary contributions to the defined pension contribution plan. The total employees enrolled in the defined pension contribution plan is 129 (31 December 2018: 129).

The total amount recognised as employer contributions for the year ended 31 December 2019 was CI\$729,281 (31 December 2018: CI\$455,241) to the defined pension contribution plan. This amount is included in administrative expenses (staff training and benefits).

c) Pension Employee Defined benefit Healthcare Plan

The current number of active employees entitled to the pension employee healthcare plan is 11 (31 December 2018: 11), 6 of the 11 employees which qualified for early retirement exercised their right and will therefore not be part of the defined benefit pension plan. The total amount recognised as employer contributions for the year ended 31 December 2019 was CI\$71,620 (31 December 2018: CI\$112,538). This amount is included in administrative expenses (staff training and benefits).

The most recent actuarial valuation for IAS 19 reporting was conducted 6 April 2020 using data as at 31 December 2019. Management use this as best estimate to record the pension employee healthcare benefits liability and the profit and loss charges associated with the plan's participation as at and for the year ended 31 December 2019.

The actuarial position is as follows:

	31 December 2019	31 December 2018
	CI\$000's	CI\$000's
Pension employee healthcare benefits obligation	(7,032)	(5,119)
Fair value of plan assets	-	-
Net liability at end of year	<u>(7,032)</u>	<u>(5,119)</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

9. Employee Benefits (continued)

c) Pension Employee Defined Benefit Healthcare Plan (continued)

The present value of the funded obligation changes as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Pension employee healthcare benefits at beginning of year	5,119	5,560
Current service cost	115	135
Interest expense	220	201
Remeasurements	1,578	(777)
Pension employee healthcare benefits at end of year	<u>7,032</u>	<u>5,119</u>

The pension employee defined benefit healthcare cost included in net income/(loss) is comprised as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Current service cost, net of employee contributions	115	135
Net interest cost	220	201
Total pension employee healthcare benefits	<u>335</u>	<u>336</u>
Net pension employee healthcare benefits cost	<u>335</u>	<u>336</u>

The remeasurements included in other comprehensive loss are as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Effect of changes in demographic assumptions	534	(51)
Effect of changes in financial assumptions	1,104	(648)
Effect of experience adjustments	(60)	(78)
Remeasurements	<u>1,578</u>	<u>(777)</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2019

9. Employee Benefits (continued)

c) Pension Employee Defined Benefit Healthcare Plan (continued)

The principal actuarial assumptions at the date of valuation:

A. Cost method - Projected Unit Credit

B. Economic assumptions used to determine the net benefit obligations as at:

	31 December 2019	31 December 2018
Discount rate for obligation	3.60%	4.55%
Discount rate for costs	4.60%	4.60%
Medical inflation rate	5.00%	5.00%

C. Other assumptions –

- Mortality – standard U.S. mortality rates
- Retirement age – completion of age 57 and 10 years of service

D. Asset valuation – fair market value

The Water Authority's pension employee obligations are linked to inflation, and higher inflation will lead to higher liabilities. The defined benefit healthcare obligation will be affected by the medical inflation rate at 5% in the current period and is based on historical claims information and long-term medical inflation expectation.

The majority of the pension employee defined benefit healthcare obligations are to provide post-retirement healthcare for the life of the member, so increases in life expectancy will result in an increase in the pension employee defined benefit healthcare obligations.

d) Non-pension Employee Defined Benefit Healthcare Plan

The current number of active employees entitled to the non-pension employee healthcare benefits plan is 116 (31 December 2018: 115)

The most recent actuarial valuation for IAS 19 reporting was conducted on 6 April 2020 using data as at 31 December 2018. Management use this as best estimate to record the non-pension employee defined benefit healthcare liability and the profit and loss charges associated with the plan's participation as at and for the year ended 31 December 2019.

The actuarial position is as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Non-pension employee healthcare benefits obligation	(17,795)	(11,645)
Fair value of plan assets	-	-
Net liability in financial position at end of year	(17,795)	(11,645)

Water Authority of the Cayman Islands
Notes to the Financial Statements
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9. **Employee Benefits (continued)**

d) Non-pension Employee Defined Benefit Healthcare plan (continued)

The present value of the funded obligation changes as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Non-pension employee healthcare benefits obligation at beginning of year	11,645	12,505
Current service cost, net of employee contributions	843	994
Employer direct benefit payments	(34)	(12)
Interest expense	506	456
Remeasurements	4,835	(2,298)
Non-pension employee healthcare benefits at end of year	<u>17,795</u>	<u>11,645</u>

The non-pension employee healthcare benefits cost included in net loss is comprised as follows:

	31 December 2019	31 December 2018
	CIS000's	CIS000's
Current service cost, net of employee contributions	843	994
Net interest cost	506	456
Total non-pension employee healthcare benefits cost	<u>1,349</u>	<u>1,450</u>
Employer direct benefit payments	(34)	(12)
Net non-pension employee healthcare benefits cost	<u>1,315</u>	<u>1,438</u>

The remeasurements included in other comprehensive loss are comprised as follows:

	31 December 2019	31 December 2019
	CIS000's	CIS000's
Effect of changes in demographic assumptions	937	(116)
Effect of changes in financial assumptions	3,884	(2,211)
Effect of experience adjustments	14	29
Remeasurements	<u>4,835</u>	<u>(2,298)</u>

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9. **Employee Benefits (continued)**

d) Non-pension Employee Defined Benefit Healthcare plan (continued)

The principal actuarial assumptions at the date of valuation:

A. Cost method - Projected Unit Credit

B. Economic assumptions used to determine the net benefit obligations as at:

	31 December 2019	31 December 2018
Discount rate for obligation	3.60%	4.55%
Discount rate for costs	4.60%	4.60%
Medical inflation rate	5.00%	5.00%

C. Other assumptions –

1. Mortality – standard U.S. mortality rates
2. Retirement age – The probability of an employee staying with the Water Authority until age 60 or age 65 is summarized below.

Current age	Age at retirement	
	Age 60	Age 65
29 or younger	60%	40%
30-39	80%	60%
40-49	100%	80%
50+	100%	100%

D. Asset valuation – fair market value

The Water Authority's non-pension employee defined benefit healthcare obligations are linked to inflation, and higher inflation will lead to higher liabilities. The non-pension defined benefit healthcare benefits obligation will be affected by the medical inflation rate at 5% in the current period and is based on historical claims information and long-term medical inflation expectation.

The majority of the non-pension employee defined benefit healthcare obligations are to provide post-retirement healthcare for the life of the member, so increases in life expectancy will result in an increase in the non-pension employee healthcare benefits obligations.

Water Authority of the Cayman Islands
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10. Revenue

The Water Authority has five major revenue streams. In the following table, revenue is disaggregated by revenue stream and timing of revenue recognition:

Revenue Stream		31 December 2019	31 December 2018	Type of contract	Timing of transfer
Water Sales	CI\$	29,711,364	27,859,523	Fixed fee	Point in time
Sewerage fees		4,841,135	4,573,720	Fixed fee	Point in time
Septage disposal		236,437	158,235	Fixed fee	Point in time
Agency work		24,040	76,182	Fixed fee	Point in time
Connection and miscellaneous fees		166,229	20,900	Fixed fee	Point in time
Total	CI\$	34,979,205	32,688,561		

(i) Contract balances

The following table provides information about accounts receivables and contract assets from contracts with customers.

		31 December 2019	31 December 2018
Accounts receivable	CI\$	3,713,408	3,508,723
Contract assets:			
Unbilled revenue	CI\$	1,815,831	986,877

Unbilled revenue is related to the above revenue streams whereby the water or service was provided but remained unbilled at the year-end. Significant changes in the contract asset balances during the year is as follows:

		31 December 2019	31 December 2018
Unbilled revenue at the beginning of the year	CI\$	986,877	871,860
Transfers from unbilled revenue recognised at the beginning of the year to receivables		(986,877)	(871,860)
Increases as a result of services performed but not yet billed		1,815,831	986,877
Unbilled revenue at the end of the year	CI\$	1,815,831	986,877

Water Authority of the Cayman Islands
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11. Financial Instruments

(i) Impairment of financial assets

Instruments within the scope of the new requirements include accounts receivable and fixed deposits which are assessed for impairment. Any impairment impact recognised during the year is recorded in the statement of comprehensive income. The Water Authority has assessed the expected credit losses on the fixed deposits held at the end of the year and determined that the expected loss is not material. In assessing impairment relating to accounts receivable, the Water Authority employs a simplified approach and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the lifetime expected credit losses, the Water Authority uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

12. Leases Liabilities

The Water Authority leases a parcel of land in Cayman Brac. The lease was signed in January 2000 for a period of thirty years, expiring in 2029.

The Water Authority has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The lease liabilities were discounted at a rate of 4.75% as defined by the Cayman Islands Government.

Maturity analysis – contractual undiscounted cash flows:

	<u>31 December 2019</u>
Within one year	12,335
After one year but not more than five years	49,340
After more than five years	61,675
Total undiscounted lease liabilities at 31 December 2019	<u>123,350</u>
Lease liabilities included in the statement of financial position at 31 December	<u>96,414</u>
Current	7,755
Non-current	88,659

Water Authority of the Cayman Islands
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13. Financial risk management objectives and policies

The Water Authority's activities expose it to various types of risk that are associated with the financial instruments and markets in which it operates. The Water Authority's Board has overall responsibility for the establishment and oversight of its risk management framework. The most important types of financial risk to which the Water Authority is exposed to are credit risk, liquidity risk and market risk. This note presents information about the Water Authority's exposure to each of these risks and the Water Authority's objectives, policies and processes for measuring and managing risk and the Water Authority's management of capital.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Water Authority. Financial assets which potentially subject the Water Authority to credit risk consist principally of trade receivables and fixed deposits. Concentrations of credit risks with respect to trade receivables are small as the customer base is large and unrelated and the fixed deposits are held with the Treasury of the Cayman Islands Government.

Customer credit risk is jointly managed within the finance and customer service departments of the Water Authority. Outstanding customer receivables are regularly monitored, and the Water Authority will disconnect water supply to any customers who do not pay their invoices within 60 days. Payment agreements are available to customers who seek assistance and are monitored closely to ensure compliance. Failure to pay within the outlined time will result in disconnection. The Water Authority holds customer deposits on each account as collateral against non-payment amounting to CI\$ 1,557,658 (31 December 2018: CI\$1,443,054).

The maximum exposure to credit risk for financial assets at the reporting date, without taking account of any collateral held or other credit related enhancements and based on the carrying amounts as reported in the statements of financial position, is:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Trade Receivables	4,102,815	3,898,883
Unbilled revenue	1,815,831	986,877
Other Receivables	414,450	856,905
Fixed deposits	24,575,776	14,191,034
	<u>CI\$ 30,908,872</u>	<u>19,933,699</u>

The expected loss rates are based on the payment profile for revenue generated over the past 12 months before 31 December 2019 and 1 January 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

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13. **Financial risk management objectives and policies (continued)**

Credit risk (continued)

As at 31 December 2019, an allowance for doubtful receivables of CI\$438,524 has been made against accounts receivable (31 December 2018: CI\$1,247,065). The aging of trade and other receivables and unbilled revenue at 31 December 2019 is as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Current	1,681,239	1,652,925
Between 30 days and 60 days	955,597	863,429
Between 60 days and 90 days	233,560	584,339
Greater than 90 days	3,462,700	2,641,972
	<u>CI\$ 6,333,096</u>	<u>5,742,665</u>

Liquidity risk

Liquidity risk is the risk that the Water Authority will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to predict and manage the Water Authority's expected cash outflows. Management monitors rolling forecasts of the cash and cash equivalents on the basis of expected cash outflows.

As at 31 December 2019, accounts payable are all due within 3 months of the statement of financial position date.

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13. Financial risk management objectives and policies (continued)

Market risk

Market risk is the risk that changes in interest rates, foreign exchange rates or commodity prices will affect the financial performance of the Water Authority. The Water Authority's activities expose it to interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Loans are subject to interest rate risk. As outlined in note 6, the loans attract fixed interest rates based on market interest rates. Management does not consider there to be a significant interest rate risk due to the low interest environment. As at 31 December 2019, the interest rate profile of the Water Authority's interest-bearing financial instruments were:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Financial Liabilities:		
Fixed rate instruments	CIS -	613,344

The nature of the Water Authority's exposures to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior year.

Currency risk

As substantially all transactions are denominated in Cayman Island dollars, the Water Authority is not significantly exposed to currency risk due to the Cayman Islands dollar being fixed to the United States dollar. The nature of the Water Authority's exposure to currency risk has not changed significantly from the prior year.

14. Contingent Liability - Section 47 of the Public Authorities Law, (2020 Revision)

Section 47 of the Public Authorities Law (the "PAL") came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by the Cayman Islands' Cabinet and requires the remuneration of employees of a public authority to be adjusted to reduce any differences between the public authorities' and public service's pay grades.

The Cayman Islands Government's Portfolio of the Civil Service had not completed its evaluation of the Authority's salary grade versus that of the public service. As such, management could not adjust for the impact of section 47 of the PAL in these financial statements. Management is also unable to derive an estimate of the potential impact of the evaluation on its financial statements. As such, no resultant provision has been made in these financial statements.

15. Contingent Liability – Utility Regulation and Competition Office of the Cayman Islands

The Utility Regulation and Competition Office of the Cayman Islands, ("OfReg") is the regulatory body responsible for the Authority. Ongoing negotiations continue to determine a clear and transparent funding mechanism for the regulatory functions performed by OfReg and, while the Authority is unable to determine a definitive amount related to 2019, as no formal agreement has been reached, there is an understanding that the Authority will be responsible for amounts relating to 2019.

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16. Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to 30 April 2020, which is the date that the financial statements were approved and available to be issued.

On March 11, 2020, The World Health Organisation officially declared the COVID-19 outbreak a pandemic. The global and local measures put in place to contain the spread of COVID-19 have caused significant disruption to business and economic activity. While the disruption is currently expected to be temporary, the financial effects on the Authority will depend on factors such as (i) the duration and spread of the outbreak, (ii) the restrictions and advisories from Government, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain. While the Authority expects this matter to impact its operating results, the financial impact and duration cannot be reasonably estimated at this time.

No other subsequent events were identified that require additional disclosures in these financial statements.

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