



Water Authority-Cayman

2020 Annual Report

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BOARD MESSAGE

The Board of the Water Authority – Cayman is pleased to present the 2020 Annual Report.

This Annual Report outlines the performance of the Water Authority during the 2020 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 against prior year performance. The requirement for an Annual Report is prescribed under section 52 of the Public Management and Finance Act (2013 Revision) (PMFA).

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

The year 2020 has been an incredibly challenging year, not just for the Cayman Islands but for the entire world, as we were faced with an unprecedented pandemic. As outlined in this report, the Water Authority took decisive action to ensure staff and customers' safety while ensuring that the public continued to have access to safe water – a critical tool in the fight against the pandemic. We are incredibly proud of the leadership of the Director and the management team and the dedication of the staff during this challenging year.

We would also like to take a moment to pay tribute to Mr Christopher Randall. Mr Randall

began serving on the Water Authority Board in August 2013 until his passing in early 2021.

Mr Randall's connection to the work of the Authority began before he served on the Board. Ocean Conversion (Cayman) Ltd hired Mr Randall to operate the Cayman Brac RO Plant for about four years in the early 1990s before the Water Authority acquired the plant in 1996. We are thankful for his dedicated service to the Authority and will miss having his presence on the Board.

In closing, we would like to sincerely thank each and every staff member of the Water Authority for their continued hard work and organisational commitment. Thank you for all you did to keep our community safe in 2020.



Water Authority Board and Minister

(l-r) Mark Rankine, Anne Owen (Ex-Officio Member), James Gill, Hon. Juliana O'Connor Connolly, Christopher Randall, Laurel Ryan, Hansen Ebanks, Dr Gelia Frederick van-Genderen (Secretary), Kearny Gomez (Chairman), Wilbur Welcome (Ex-Officio Member)



MR CHRISTOPHER RANDALL
1947 - 2021

DIRECTOR'S MESSAGE

As Director of the Water Authority, I am pleased to present the 2020 Annual Report on behalf of the Authority's management team and staff.

This past year was unprecedented as we faced several challenging situations beginning with an event that shook us all – a 7.7 magnitude earthquake. I'm very proud of our operations team, who worked tirelessly throughout the night and the following day to systematically inspect and assess the distribution network for leaks and gradually reconnect customers. 94% of customers were reconnected within 24 hours of the quake, with the remaining customers reconnected within 48 hours of the event.

We were tested yet again when the Coronavirus was declared a pandemic and eventually reached our shores. The Water Authority began preparing for this eventually in February, ensuring critical supplies were ordered as it became apparent shortages were on the horizon. We also installed sanitisation stations and implemented social distancing measures in our lobby before the Government implemented the first curfew and shifted to essential services. Once again, our staff stepped up to the plate, with many quickly moving to remote work, while our essential workers continued to ensure the public continued to have access to safe water.

The Authority also took every effort to support our customers throughout the pandemic, including creating a payment deferral policy and a sewerage discount policy. We also shifted our resources to facilitate online business.

Our commitment to safety remained when we eventually reopened, emphasising deep sanitisation of shared and public spaces and social distancing. We also developed a Return to Work Plan to guide staff through

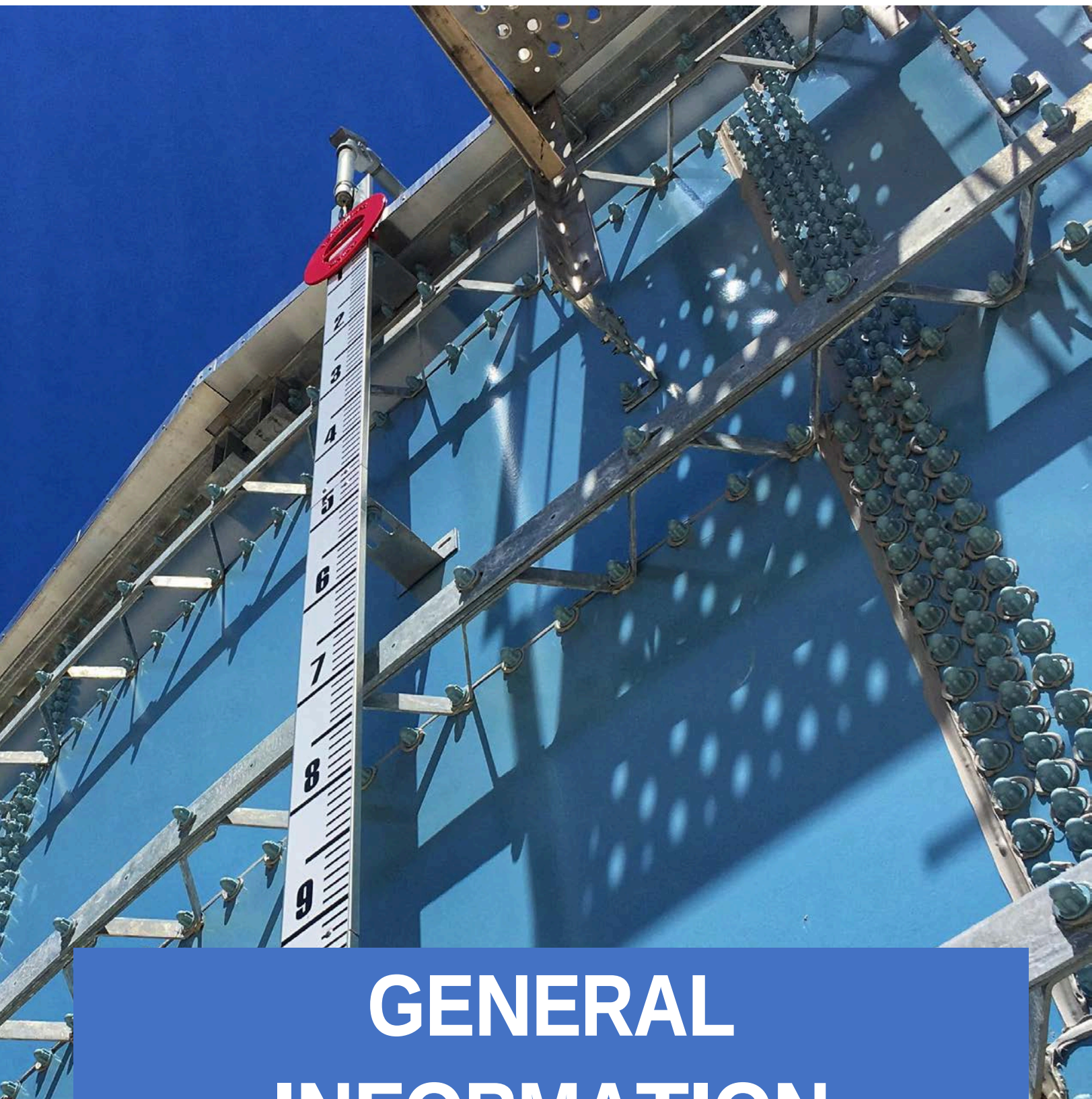
changes. We activated created the COVID-19 Coordinating Response Team to ensure that all aspects of the Return-to-Work Plan were implemented and to update the plan as regulations changed.

Through this challenging year, which also included tropical storms and the Sahara Dust Plume, the Authority's made strides towards accomplishing goals laid out in our strategic plan, including the creation of a dedicated leak detection crew, made progress on the extension of the public water supply in Cayman Brac, and was recognised by the Public Account Committee for having an unqualified audit.

While 2020 has come to a close, we know the impacts will continue to reverberate. As our country and the rest of the world continue to reopen, the Authority is committed to providing reliable, affordable water and wastewater services to our customers and protecting local groundwater resources, all while delivering steady returns on investment.

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



wastewater 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 Ministry of Education, Youth, Sports, Agriculture & Lands (EYSAL) portfolio.
- As of 31 December 2020, the minister responsible for that portfolio is the Honourable Juliana O'Connor-Connolly, JP.
- The Authority's operations are governed by the Water Authority Act (2018 Revision), the Water Authority Regulations (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 Act.
- The Procurement Act.

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 Act (Act 18 of 1982), as amended.

The Authority is principally engaged in managing 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.

MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

2020 was a unique financial year as the Authority was tasked to ensure that all key accounting and reporting considerations were assessed in response to the local and

global challenges brought on by COVID -19. As a provider of an essential service the Authority's operations shifted in response to the stay-at-home mandates however the provision of water and wastewater services and customer service was never halted as a result of the pandemic.

The Authority continues to be a fiscally responsible and a financially independent government entity serving over 18,900 water customers across Grand Cayman and Cayman Brac, and over 450 wastewater customers in Grand Cayman. The Authority paid a \$250,000 dividend (2019 - \$250,000) to the Cayman Islands Government during the 2020 year.

FINANCIAL PERFORMANCE

Water sales in 2020 were down 7% from 2019, the majority of which is attributed to the decreased fuel costs which flowed through to lower Energy Adjustment throughout the



period. Despite lower-than-expected sales the Authority was able to prudently manage expenses and finish the year with a Net Profit of \$5 million.

RESULTS FROM OPERATIONS

Sales of potable water continues as the main operating revenue source with 84.0% (2019 – 80.5%) with Sewerage Fees reporting 14.9% (2019 – 13.1%) and the remaining 1.1% (2019 – 6.4%) from Septage Disposal, Royalties and miscellaneous income.

The cash position of the Authority continues to increase from operations with an ending cash balance of \$15.9 million (2019 - \$9.8 million) and term deposits held by the Cayman Islands Treasury of \$29.9 million (2019 - \$24.6 million). In 2020 \$336,006 (2019 \$386,047) was earned in deposit interest income with rates varying between .07% and 2.65% depending on value and term.

A key component of the Authority's finance department is to collect, allocate and protect the customer utility payments. When the front office responded to COVID-19 and closed to the public the Authority's customers embraced electronic payments with an increase of 32% in bank payments and 57% increase in website payments for the 9-month period 01 MAR – 31 DEC 2020.

ACTUARY POSITIONS

Under the umbrella of the Public Service Pension Board the Authority undertook three Actuary reports for the year ending 31 December 2020. This reporting and inclusion in the financial statement is imperative to

understand the long-term liabilities of the Authority.

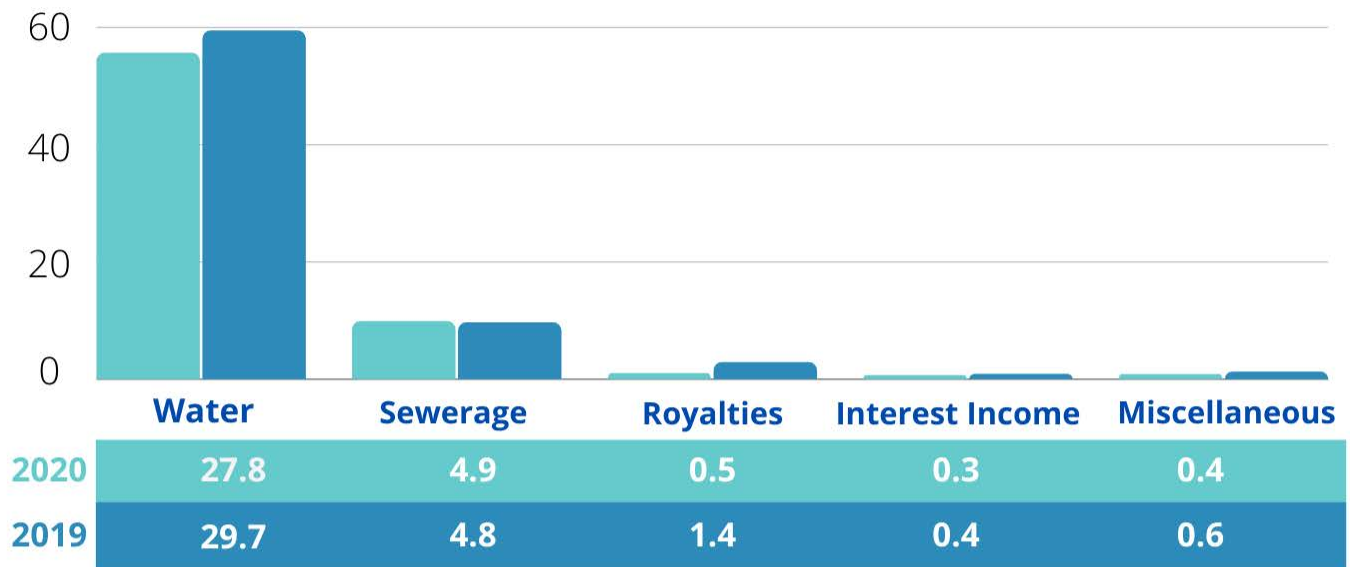
BUDGET POSITION

The 2020/2021 budget was submitted by the Authority in May 2019 and conservatively forecasted the 2020 net income would be \$3.1 million, however the audited financial statements in the appendix clearly reflect that the Authority ended its financial year with a Net profit for the year of \$5.0 million and a comprehensive net income of \$0.6 million.



REVENUE

(in millions)



2020 REVENUE BREAKDOWN



WATER - 82%



SEWERAGE - 14.5%



ROYALTIES - 1.5%



INTEREST INCOME - 0.9%



MISCELLANEOUS - 1.1%

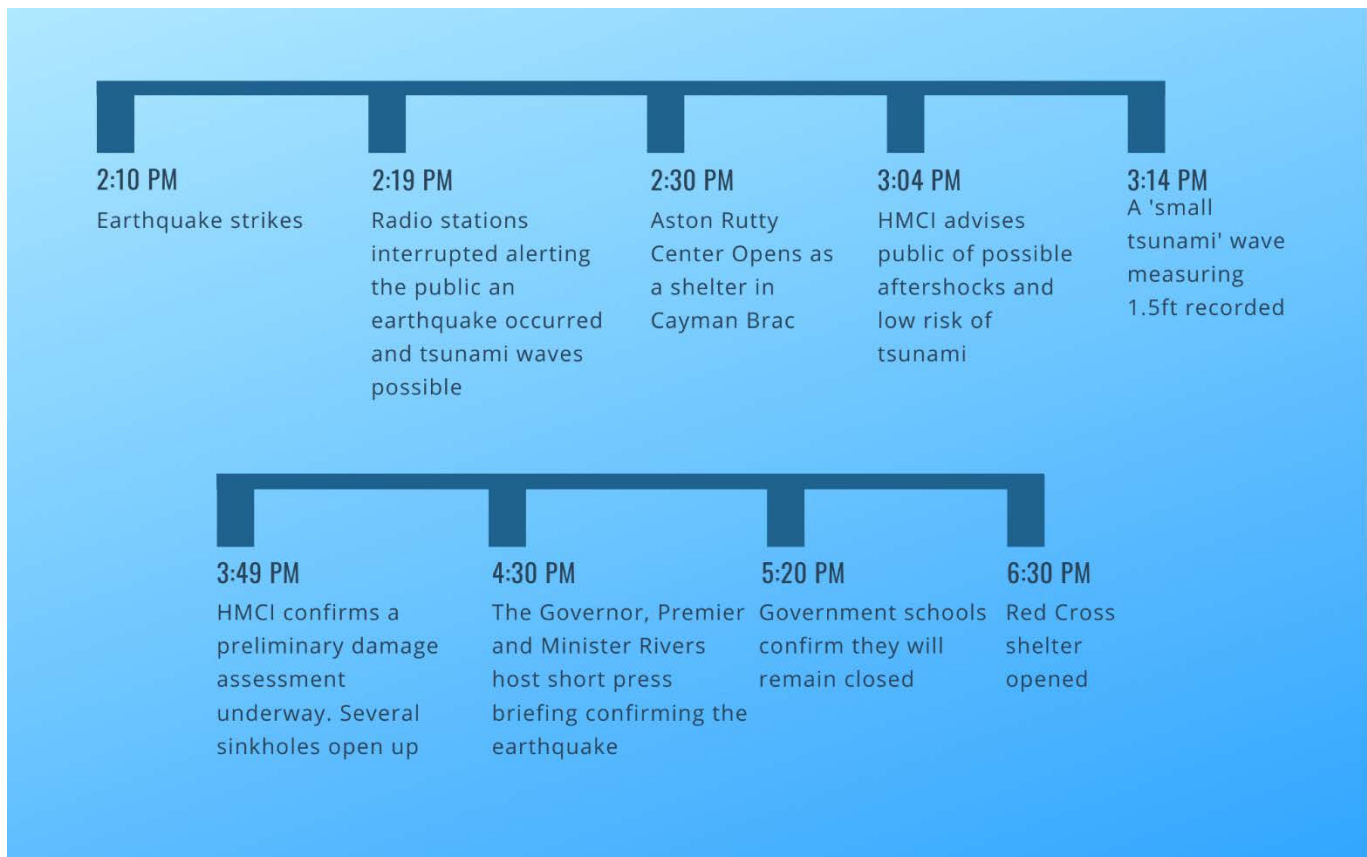


2020 AT A GLANCE



EARTHQUAKE RESPONSE

On Tuesday 28 January, at 2:10 p.m., a 7.7 magnitude earthquake and various aftershocks shook the Cayman Islands. The quake, whose epicentre was 80 miles northeast of George Town, was one of the largest ever recorded in the Caribbean.



Water Authority Immediate Response

As the earthquake struck, staff and customers inside the Authority's building evacuated from the building and were only allowed to return to the building once deemed safe.

Non-essential staff were allowed to leave the office about 40 minutes after the event and the Authority's office was closed for the rest of the day.

Customers were advised, via press release and social media, to contact the Authority's emergency helpline to report any leaks in the water distribution network and wastewater issues on the West Bay Beach Sewerage System. Customers were also advised to contact their wastewater specialist to inspect their onsite systems, following reports of sewerage system issues.

Approximately three hours following the earthquake, the water distribution system started to experience higher than normal flow demand issues. This rapid increase led to the pump stations automatically shutting down; a built-in safety feature to protect the equipment and safeguard the water stored in water storage tanks. The decision was taken to take the system down entirely to prevent significant loss of water.

The Authority's operations crew worked tirelessly throughout the night and the following day to systematically inspect and assess the distribution network for leaks and gradually reconnect customers. Having worked a full day, the overnight operations crew worked until 6 a.m. on Wednesday 29 January, when a new team arrived to continue the challenging and physically demanding work or reactivating the distribution through to nearly midnight on 29 January.

Water was restored to all customers east of the Authority's Lower Valley Water Works by 11:16 p.m.; this represents approximately 80 miles of the total 300 miles of the pipeline network. Within 24 hours of the event, 94% of customers had been reconnected.

By late Wednesday evening (29 January) all customers were reconnected, except for those on Mary Read Crescent and parts of Windsor Park (approximately 1% of customers). Nearly 48 hours after the quake, the remaining 200 customers in Mary Read Crescent and Windsor Park were reconnected, meaning all customers in Grand Cayman were reconnected. Customers were kept abreast of the progress across various channels, including social media and the Authority's website.

2:10 PM
Earthquake strikes

2:55 PM
Office Closed and non-essential staff sent home

5:15 PM
Water distribution system started experiencing higher than normal flow demand issues

5:23 PM
Pumphouse equipment automatically shut off due to high flow rates – a built-in safety feature of the water distribution system to protect the equipment and safeguard stored water supplies

6:35 PM
Decision made to shut down the system to methodically inspect and assess the distribution network in accordance with the Authority's emergency procedures

11:16 PM
Water restored to all customers east of the Authority's Lower Valley Water Works.

6:09 PM
Video message updating customers about the reconnection process and progress posted on social media

9:15 PM
All customers, with the exception of those on Mary Read Crescent and parts of Windsor Park were reconnected.

2:00 PM
All customers across Grand Cayman were reconnected



Water Distribution System

One large leak, off Rex Creighton Boulevard, was identified. Minor leaks were found and repaired in South Sound, Prospect, and North Sound Estates. Additionally, the water main had to be secured near multiple sinkholes in South Sound, Windsor Park and Shedden Road. Investigations continued for several weeks following the earthquake to identify other leaks in the distribution network. Data collected from the District Metered Area water meters was a useful tool in this effort. There was no damage to the Authority's reservoirs.

Wastewater

Following the earthquake, the inflow at the wastewater treatment plant increased almost immediately, by around 30%. This corresponds with a similar increase in the number of pump hours at the central pump station. Similar increases occurred at the southernmost pump stations, Governor's Harbour, the Walter's Road area and Crystal Harbour.

Additional leaks developed on the wastewater collection system due to the earthquake, later in the year, increasing the inflow at the wastewater treatment plant by around 0.5 mgd. The flow increase was most noticeable at the southernmost portion of the wastewater collection system.

Cayman Brac Water Distribution System

There was no difference in the amount of water pumped into the Cayman Brac distribution system after the earthquake, compared to the period prior, indicating that the water distribution system did not sustain damage.

Building Structures

A visual survey of Water Authority's building structures found no visible damage at any of the Water Authority's location.

Impact on Staff

Immediately after the earthquake, it was clear that some staff were affected emotionally and physically. The Authority's HR department arranged for a debriefing session with a counsellor from The Wellness Centre. Staff was also advised they could access the service privately if they wished.



300

miles of pipeline inspected



2,000

valves manipulated in the restoration process



37

Public Service Announcements issued during the restoration process



48

Hours it took to reconnect all customers



**COVID-19
PANDEMIC**

Background

The first human cases of COVID-19, the disease caused by the novel Coronavirus, was first reported in Wuhan City, China, in December 2019.

The Cayman Islands commenced preparations for the virus in February 2020 as it became clear that the virus was quickly moving to other countries after the initial outbreak in China. The National Emergency Operations (NEOC) was officially activated on 3 March 2020. The Water Authority's Director commenced her role as Chairperson of the Emergency Support Team (EST) Utilities, an integral part of NEOC. The Water Authority also developed its Pandemic Plan.

COVID-19 was declared a pandemic by the World Health Organisation on 11 March 2020. The first case of COVID-19 in the Cayman Islands was reported on 12 March 2020.

Following the first confirmed case, large public gatherings were banned, schools closed, cruise ships were no longer allowed to port, and government official began hosting daily press briefings to inform the public of the changing public health regulations.

On 22 March the airport closed to all but repatriation flights. On 25 March all non-essential business were closed, and non-essential workers were mandated to stay home. The first case of community transfer of the virus was reported on 31 March 2020.



MARCH 4

*Start of Coronavirus
Prevention Social Media
Campaign*

MARCH 12

First case of Coronavirus
in the Cayman Islands

MARCH 13

Disconnections
postponed

MARCH 16

Key and vulnerable staff
start working from home

Early Response

As part of its Pandemic Plan, the Authority proactively initiated a 9-12 month bulk order of critical personal protection equipment (PPE) and essential water treatment chemicals as it became clear that the acquisitions of such vital equipment would soon become challenging.

Before the Government mandated lockdown efforts were made to ensure customers and staff's safety early on with the installation of hand sanitiser dispensers at the entrance of the building and floor marking to keep customers 3 feet apart – the standard at that time. Additionally, the staff was provided with sanitation kits.



Office Closure

Following the confirmed positive COVID-19 case the Water Authority ceased providing face-to-face service and closed its office to the public on 20 March, in line with its business continuity plan. Customers were able to conduct business with the Authority electronically, making payments online (via the Authority's website or online banking), and contact the Customer Service team via email or phone. All other business continued until the end of business on 23 March when the Government implemented the first curfew. The Authority transitioned from 'business-as-usual' to providing essential services only, focusing solely on tasks required to ensure that Authority's customers could have access to the essential services of piped water, trucked water and wastewater collection and treatment. Arrangements were made to have staff work remotely where possible.

MARCH 16

Coronavirus testing begins on island

MARCH 16

COVID-19 Defferal payment policy created

MARCH 16

Social Distancing measures implemented in lobby

MARCH 19

March penalty fees waived



While the country was on lockdown the Authority's essential workers were committed to carrying out their duties to ensure the community continued to have access to safe drinking water, a critical tool in combating the Coronavirus, and safely managed wastewater. Essential workers conducted daily monitoring of water and wastewater operations, water quality control, meter reading, leak repairs, trucked water delivery in Cayman Brac, and procurement activities. Employees who worked during the lockdown ensured they maintained social distancing and wore masks when it was Government-mandated. The Authority's Board commenced virtual meeting in April.

Payment Deferral Policy

In the interest of public health, the Authority suspended disconnections to ensure the public had access to potable water. The Authority developed a COVID-19 Payment Deferral Policy to support customers who experienced financial difficulty due to the pandemic. Under the terms of the policy, ninety days after the state of emergency has been lifted; it will be the customer's

MARCH 22

Boarders closed

MARCH 24

Office closed to the public

MARCH 25

Shelter-in-Place mandate begins

MARCH 31

First case of community transfer

responsibility to either pay the balance in full or seek a longer-term payment agreement. A total of 95 COVID Payment Deferral Agreements were made.

To further assist customers facing financial hardship during the pandemic, the Authority waived penalty fees for the four months (March, April, May, June).

While the Water Authority Regulations allow for an annual rate adjustment, the Authority did not increase the water and sewerage rates in 2020. Maintaining the current rates provides the public with the assurance that they could continue to access the essential services of the Authority at an economical cost.



95

Number of COVID
Deferral Payment Policy
Agreements



\$123,500

Value of policies

e-billing/Online Payments

The Authority made an extensive push on social media to keep customers informed on its activities and provided guidance regarding payment during the lockdown period. Customers were encouraged to sign up for e-billing and make payments online to reduce the office's foot traffic and help maintain social distancing. The Customer Service staff continued to assist customers with bill queries, online access set up and various work order while working remotely.

These efforts resulted in a significant increase in the value and number of payments received through online portals. For the period of 1 March – 31 May 2020 payments made via the website increased by 70% (4,858) over the same period in 2019. Online payments increased in volume by 43% and by in value by 67%. During June and July cashiers completed approximately 9,600 online payment transactions, an average of 240 transactions a day.

Online payments, both via the Water Authority website and online banking, continued to grow as customers become more comfortable with the payment method. In June website-based payments showed an increase of 81% over the same period in 2019. This trend continued for several months. The use of the dropbox also increased.

APRIL 5

Full lockdown on
Sundays except for
essential workers

APRIL 9

The Authority donates
5,000 masks to HSA

APRIL 20

April penalties waived

APRIL 22

Launch of staff Facebook
group to communicate
during lockdown

Sewage Charges Discount Policy

Recognising that many businesses had been affected by the pandemic the Water Authority created a COVID-19 Sewage Discount Policy, to support businesses, particularly those in the hard-hit hospitality industry. The policy was designed for commercial wastewater customers along the West Bay Road corridor. The policy covered three months initially and was extended twice, ultimately covering the period of April – December 2020.

APRIL

18 applications approved
Value: \$20,115.17

MAY

17 applications approved
Value: \$22,097.60

JUNE

11 applications approved
Value: \$14,020.05

JULY

9 applications approved
Value: \$16,345.67

AUGUST

8 applications approved
Value: \$16,335.86

SEPTEMBER

6 applications approved
Value: 15,680.25

OCTOBER

7 applications approved
Value: \$16,273.06

NOVEMBER

5 applications approved
Value: \$14,681.08

DECEMBER

5 applications approved
Value: \$13,027.95

TOTAL VALUE: \$148,576.68

MAY 4

Wastewater Discount
Policy created

MAY 20

Mask wearing mandated

MAY 22

May penalties waived

MAY 22

The Authority forgoes
annual rate change

Supporting Essential Workers



Throughout the pandemic, the Authority found opportunities to support other essential workers. Following a request from the NEOC, the Authority waived the septage dumping fees for the Family Life Centre, which was set up as a COVID Field Hospital, in the event the local hospitals reached capacity. The commercial value of this waiver is estimated to be no more than \$150.

The Authority made a donation of 5,000 masks to the Health Service Authority. The Water Authority Board agreed to the contribution, via virtual communication on 8 April 2020.

JUNE 8

Office reopens

JUNE 12

COCORT established

JUNE 19

Antibody testing begins
on-island

JUNE 21

Nightly curfew and daytime
Shelter-in-Place regulation
lifted

Office Reopening

In June overnight curfews and the daytime, shelter-in-place regulations ended, and the focus shifted from "Stay Home Cayman" to "Stay Safe Cayman". After 107 days the NEOC was officially deactivated on 19 June.



On both Grand Cayman and Cayman Brac, the Authority offices reopened on 8 June, offering full service to customers. The office reopened with reduced hours (8:30 a.m. to 1:00 p.m.). The reduced hours were necessary to accommodate frontline staff who had childcare issues due to schools' continued closure. Some staff continued to work remotely and in shifts.

Email communication with customers continued to be high, while customer presence in the office remained low in the first weeks of the reopening.

In preparation for the reopening, the management team prepared a detailed "Return to Work Plan" to outline various policies and protocols to protect employee and customers' health. These included physical distancing rules, the mandatory wearing of masks, sanitation stations, a limited number of persons allowed in communal space, the installation of bio-shields, notices around the buildings and floor markings. As the "Return to Work Plan" required employees to wear face masks/covering at the reopening, the Authority supplied all employees with masks (disposable

JUNE 22

June penalty fees waived

JUNE 22

Wastewater Discount
Policy extended

JUNE 22

Surname restrictions
lifted

JUNE 29

Office resumes regular
hours

and reusable). Employees were later provided with a one-time allowance of \$50 to purchase their own reusable face masks.

The Authority returned to regular operating hours on 29 June, with some staff working shifts and several continuing to work remotely.

COCORT (COVID-19 Coordinating Response Team)

In late June the COVID-19 Coordinating Response Team (COCORT) was established to ensure that all aspects of the Return-to-Work Plan were implemented and acted as a cross-functional team to recommend, coordinate, implement and oversee workplace protocols to control the spread of COVID-19. The COCORT members conducted their specific roles and duties for the COCORT besides their regular duties. The COCORT will operate until deemed necessary by the Director.

Focus areas of the COCORT are Team Leaders, Prevention/Health/Safety, Sanitisation/Disinfection/Supplies/Logistics, Communication. The COCORT will be in the position to advise management on changes necessary and assist in ensuring that employees are following the workplace changes.

Key actions taken by the COCORT coordinating voluntary COVID testing, streamlining procedures for requesting PPE, launching a staff survey to gain feedback on the Return-To-Work plan, conducting safety procedure training for staff, and updating the Return-to-Work Plan to reflect new government guideline.



JULY 1

COCORT streamlines PPE request process

JULY 15

COCORT launches staff feedback survey

JULY 28

COCORT begins staff training on safety protocols

HR Policies:

Due to the impact the pandemic has had on travel and the feasibility of working from home highlighted during the lockdown, the Authority's HR Department developed a COVID-19 Quarantine/Isolation Flexible Working Hours (non-emergency condition) Policy and Remote Working (non-emergency) Policy.

By the end of 2020 six staff members had applied for and had been approved to utilise the Flexible Working Hours and Remote Working Policy.

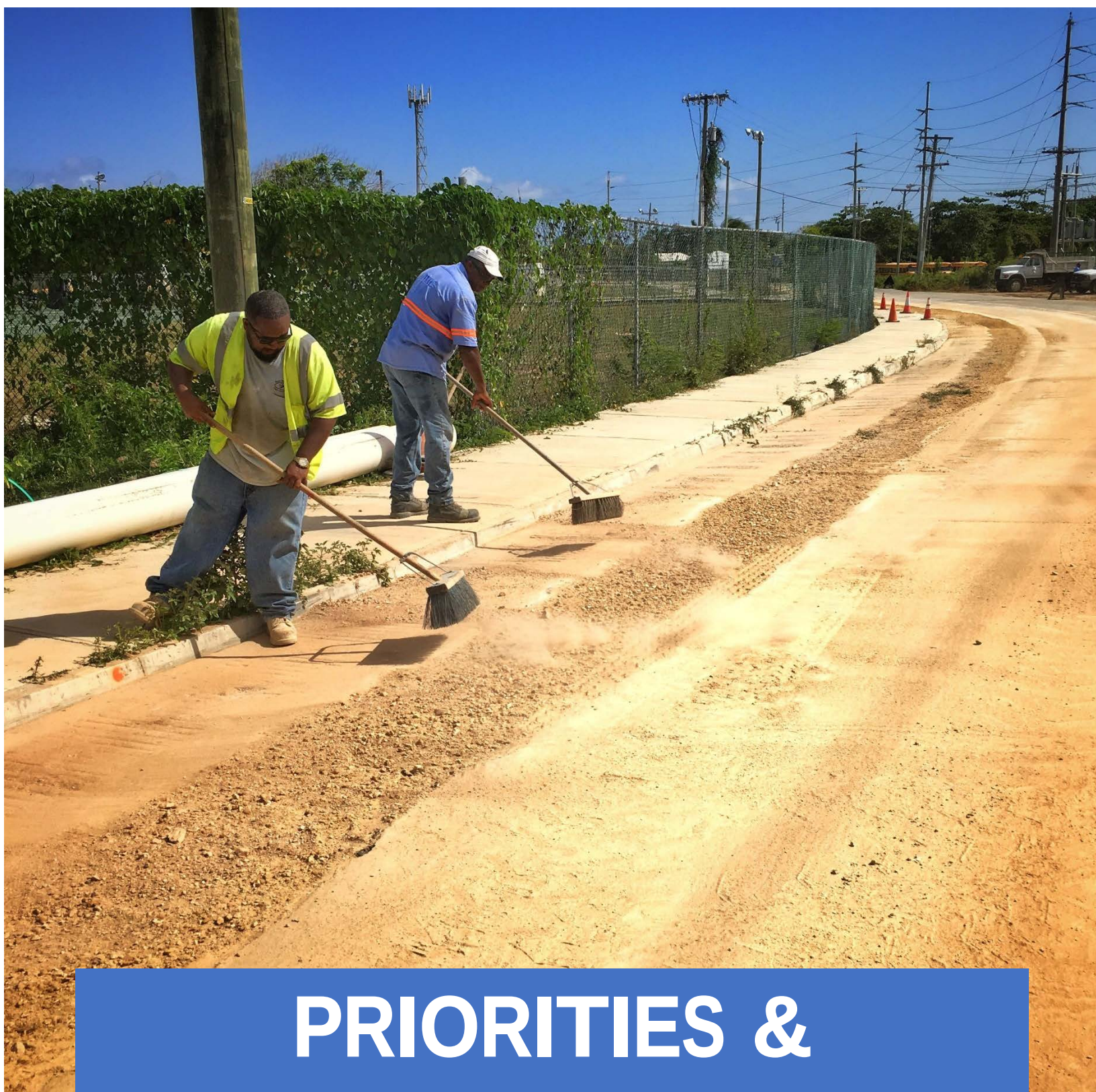
Tropical Storms

This year brought with it the unique challenge of facing a hurricane season in the middle of a pandemic. With 30 named storms, the 2020 Atlantic hurricane season set the record for the most named storms in a single season and the second-highest number of recorded hurricanes. Since there were so many named storms, forecasters used up the official storm name list and had to use the supplementary Greek alphabet, which has happened one other time in 2005.

The Cayman Islands was impacted by two storms Delta and Eta. Both storms were major hurricanes but impacted the Cayman Islands at Tropical Storm status. On Sunday 4 October the Cayman Islands was placed under a Tropical Storm Warning due to the impending arrival of Delta. The Authority's Hurricane Plan was activated, and the offices were closed to the public 5-6 October. The Authority's offices reopened on 7 October with no reported damages.



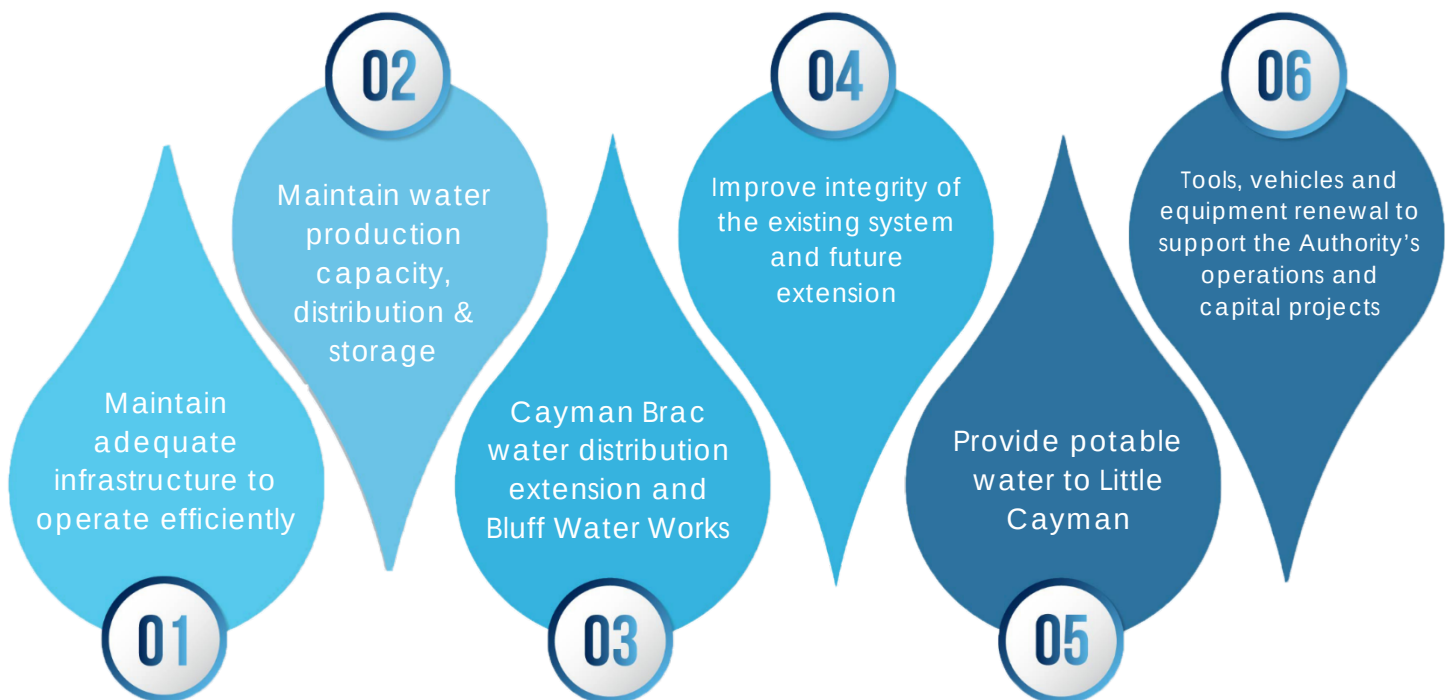
On Thursday 5 November the Cayman Islands was placed under a Tropical Storm Watch for Eta, and Authority's office closed on Friday 6 November. Water service was interrupted in Eastern Districts due to equipment issues at the North Side pump house during the transition to generator power at 10:00 a.m. By 1:00 p.m. water service was restored with lower than normal pressure to customers east of Northward Road. Crews continued to work to make repairs to the equipment and restored normal water pressure to customers by 6:30 p.m. The Authority's office reopened on Tuesday 9 November, following the Remembrance Day holiday.



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. Despite the challenges faced in 2020, the Authority made strides towards accomplishing these strategic priority areas:



GOAL 1: MAINTAIN ADEQUATE INFRASTRUCTURE TO OPERATE EFFICIENTLY

District Meter Areas and Leak Detection

At the end of 2019, a total of four District Meter Areas (DMA) water meters were installed, creating four distinct zones, where the net inflow can be compared against water sales, allowing for potential problem areas to be isolated and identified. This information is essential to reduce the amount of "lost" (non-revenue) water. At the start of 2020, data was being collected from the DMA water meters. The Poindexter Road/Shamrock Road intersection meter experienced communication issues, so an order for a different type of antenna was placed to fix the problem.

Leak noise detectors that can detect sound emitted from a leak were sourced and installed on a semi-permanent basis in the water distribution network. These can continuously monitor the entire network, and the data collected can be analysed to identify leaks faster and automatically.

During the lockdown period, the Operations team carried out leak detection at night in the North Side/East End area. The lockdown provided an excellent opportunity to identify problem areas, as traffic was minimal.

Road Works

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



HIGH ROCK DRIVE PIPELINE EXTENSION:

Pipeline extension along High Rock Drive to the proposed mental health facility. Work was halted due to the lockdown. At that point, 68% of the project was completed. Work resumed in June and the project completed in mid-August. 5,280 feet of pipeline was installed.

SPINNAKER ROAD INFRASTRUCTURE UPGRADE:

At the end of January work commenced to replace approximately 700 feet of 6-inch PVC pipe on Spinnaker Road. Work was postponed twice, due to the earthquake and then the COVID lockdowns. The Operations team resumed work in June and completed the project in August.

ELGIN AVENUE INFRASTRUCTURE UPGRADE:

One of the first projects to commence post lockdown was the upgrade from an 8-inch pipeline to a 12-inch pipeline on Elgin Avenue. After coordinating with the National Roads Authority, the Water Authority's field staff began work on the infrastructure upgrade project on 22 June, completing the project in late July.

NORTH SOUND ROAD INFRASTRUCTURE UPGRADE:

In early September work began on the pipeline upgrade along North Sound Road, between the Shedden Road & Portland Road intersections; approximately 1,750 feet of pipeline. Work took place at night and the early morning to ensure crew safety. Inclement weather slowed progress at the time, but the project was completed in mid-November.

DEMOCRACY DRIVE INFRASTRUCTURE UPGRADE:

In October work began to install 400 feet of 6-inch pipeline between Democracy Drive and the East/West Arterial Highway, replacing a 30-year-old pipeline. This section had been isolated from the distribution system after the earthquake, as it was discovered there was a significant break in the pipeline.

DEVELOPMENT INSTALLATIONS:

Vela Development Installation - In June work began to install and connect service lines for Phase 3 of the Vela Development in South Sound. Works completed in July.
Downtown Reach - In July work began to install 500 ft of 12-inch and 6-inch pipeline near the Downtown Reach development off Lindford Pierson Highway. Works were completed in early August.

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

The Authority's Operations' team installed new check valves at the Red Gate Pump House in January.

Maintenance work for the two reservoirs at Red Gate Water Works and one reservoir at the North Side Water Works was scheduled to commence in early March and expected to take approximately six weeks. However, the work was postponed due to the COVID lockdowns.

The tender documents for the two bolted steel tanks for water storage at the North Side Water Works was expected to be advertised on the Cayman Islands Government Public Purchasing Portal (Bonfire) by the end of January. That was delayed as the team could not finalise the documents as they dealt with the January earthquake consequence.

In June, when the Authority's office reopened the business case was submitted to the Authority's Procurement Committee for approval.



GOAL 3: WATER DISTRIBUTION EXTENSION AND BLUFF WATER WORKS

Despite the COVID lockdowns the Authority continued to make strides to meet its mandate to extend the public water supply in Cayman Brac.

Work to upgrade the existing pipelines at the West End Water Works continued from the previous year,

with the project finalised in late February. Shortly after that pipelaying works resumed along Dennis Foster Road, and adjacent roads. However, work was interrupted in March due to the lockdown. By that point, nearly 800 feet of 8-inch pipe had been installed.

With travel restrictions between Grand Cayman and Cayman Brac, the Cayman Brac based New Works team assisted with trucked water deliveries during the lockdown period.

In August, the New Works team was able to resume work on the Cayman Brac water distribution system's extension. By the end of the year pipelaying along Dennis Foster Road had been completed up to Cape Drive.

The total number of piped water customers increased from 364 in December 2019 to 377 at the end of December 2020, an increase of 3.6%.



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

- In June the Operations team connected the new apartment complex Eleven Parc Ltd on Parkway Drive to the public sewerage system.
- In June the Operations team repaired a damaged sewer pipe at the new Aqua Development on Snooze Lane behind Seven Mile Shops. The pipe was found damaged during the construction of a large retaining wall.
- At the end of August work began to install 180 feet of 3-inch PVC force mains along Jacada Close, while inclement weather delayed progress, the installation was completed in October.
- In August a new sewer force main at Cook Quay, in Governor's Harbour, was connected to the public sewerage system.

OTHER ACHIEVEMENTS:

Public Account Committee Recognition

The Public Accounts Committee invited the Authority's Financial Controller, Lori Bergman, and the Director to attend an award ceremony on 31 March at the Legislative Assembly to be recognised for having an unqualified audit. Due to the COVID-19 pandemic, this presentation did not occur on that date; however, the event was later rescheduled to 27 August, 2020.

Customer Information and Billing System Upgrade

In 2020 the Authority upgraded its customer information and billing system. The upgraded software allows for a more user-friendly profile for customers to access and pay their bills online. Staff training

on the new system took place in mid-August to prepare for the October system upgrade. The Authority's office was closed on 16 October to facilitate the upgrade. While customer service was limited due to the lack of access to the system, customers were still able to place and obtain tracked water deliveries in Cayman Brac and make online payments. Customers were notified via email, social media, the newspaper, radio ads and the Authority's website. KPMG was invited to observe the process as part of the 2020 audit process.





**REGULATORY &
STATUTORY**

Water Authority & Planning Department MOU Proposal

On 17 February, the Water Authority presented a proposal to the Planning Department to establish an MOU for onsite wastewater treatment and disposal requirements.

For over 30-years both agencies have shared the responsibility for requirements and inspections of onsite wastewater treatment systems for proposed development for Certificate of Occupancy. The vast majority of what each agency requires is clear, but at times there is ambiguity over responsibilities of both agencies. There is no historical record of any specific agreement between the two agencies and given the high level of activity in the construction industry and more complex issues, the Authority asked the Planning Department to establish an MOU to eliminate those ambiguities.

Laboratory Expanded Scope

The Water Authority's Laboratory scope has been expanded its scope to include *Legionella pneumophila*, by the Idexx's enzyme substrate method, following an annual review by the American Association for Laboratory Accreditation (A2LA). *Legionella pneumophila* is the bacteria that causes Legionnaires Disease, a severe form of pneumonia that spreads through water droplets.

The Laboratory has maintained its accreditation since 2002, having passed its most recent audit by A2LA in November 2019, extending its accreditation through November 2021. This accreditation ensures that the Laboratory meets the A2LA's ISO 17025:2017 accreditation standard.



OfReg MOU

On 18 November 2020 the Water Authority Board Chairman, Kearny Gomez and the Authority's Director, Dr Gelia Frederick-van Genderen sign an MOU with OfReg. The MOU outlines the allocation of royalties between the two entities and regulatory fees to OfReg.





**OUR
PEOPLE**

OUR PEOPLE

At the end of the fiscal period, the Authority had a staff of 135 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 119 employees based in Grand Cayman and 16 based in Cayman Brac.



COMMUNITY OUTREACH

GIVING BACK TO THE COMMUNITY

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 the Cayman Acts of Random Kindness,' COVID Relief Soup Kitchen, the Lighthouse School Annual Autism Awareness Walk and the Cayman Islands Chamber of Commerce Beach Clean-Up.



AGRICULTURE SHOW

In 2020 the Authority hosted a booth at the Grand Cayman Agriculture Show. Visitors were given samples of infused water, water bottles, and information about the benefits of drinking tap water. Visitors were also encouraged to sign the "Take Back the Tap" Pledge, in which they pledge to make the switch from drinking bottled water to drinking tap water. Close to 300 people took the "Take Back the Tap" Pledge, and three of those people were randomly selected to win an infuser-pitcher so that they could enjoy infused water at home.

CAYMAN NATIONAL ANIMATRONIC FIGURE

In May 2020 the Cayman Islands National Museum held a digital launch of the Ms Anne Huldah Bodden, OBE animatronic figure, which will be part of the museum's judicial display in the Cultural History Gallery. The Water Authority sponsored the animatronic in 2018 as part of the Authority's 35th Anniversary celebration. Ms Anne Huldah Bodden paved new paths and shattered ceiling to ascend to the pinnacle of her career as the first female Law Agent in the Cayman Islands. She was also the first female Caymanian to be awarded an Officer of the British Empire (OBE).



Courtesy of the Cayman Islands National Museum

EARTH DAY CLEAN UP

The Water Authority once again sponsored the Chamber of Commerce's island-wide Earth Day Clean-Up. The event, usually held in April, was rescheduled to September due to the lockdown measures. Several Water Authority staff members, and their family members, did their part to keep the Cayman Islands' natural environment healthy and pristine. The team of volunteers focused its efforts on Spotts Beach.



EDUCATIONAL OUTREACH

The Authority continued to demonstrate its commitment to local education throughout the 2020 fiscal year through a series of initiatives, including its Annual \$30,000 Scholarship. D'Vonte Joseph was selected as the recipient of the Authority's 2020 Annual Scholarship. Mr Joseph began his studies in Chemical Engineering at the University of Leeds in the fall. From a young age, Mr Joseph developed an interest in chemistry and a love for math. He is pursuing a degree in Chemical Engineering as it combines the two subject matters. In 2019 Mr Joseph took part in the Authority's Summer Internship Programme.



The Authority hosted a total of six students as part of the CIFEC Internship Programme. The students worked in the Engineering Services, Building and Equipment, Customer Service and Information Systems departments. The programme, which began in October 2019, was suspended when schools closed due to the pandemic. The Authority also hosted a student from Lighthouse School for a seven-week work experience placement in the Customer Service Department earlier in the year. All the students were given a token of appreciation for their work in August 2020. The Authority's Summer Work Experience Programme was cancelled in 2020, except for the Authority's three current scholarship recipients, Kaled Giron, Alexander Elisa and Lisaida Oliva-Swaby, who were placed in the Finance and Information Systems departments.

The Authority took part in the John Gray High School and Clifton Hunter High School Careers Day Fair. Students from both schools were able to speak with several Water Authority staff members to learn more about the various career opportunities in the water and wastewater industry.



The Authority's Applications and Network Support Specialist, Kristina Powell, graduated from the University of South Florida in a virtual ceremony. She earned her Masters of Science in Cyber-security: Cyber Intelligence. Ms Powell is a former Water Authority scholarship recipient and began working with the Authority full time in 2019.



SOCIAL COMMITTEE

Despite the lockdowns in 2020, the Water Authority's Social Committee made every effort to host as many events as possible in 2020. The Committee hosted a total of 25 events including a virtual happy hour, an ice cream social, a potluck, a step challenge, and the Authority's annual Christmas Social.

The Social Committee also organised several charity dress-down-days and fundraisers, raising \$2,412 for local charities including the Cayman Islands Cancer Society, the Crisis Centre and the Lions Club of Tropical Gardens. Another organisation supported was the Cayman Food Bank, the selected charity for the Authority's Annual "Project Angel Tree". "Project Angel Tree" is an annual staff-driven holiday fundraising initiative. Staff donated \$1,941 which the Authority's Board generously matched for a total donation of \$3,882.

A total of fifteen staff members served on the Social Committee, with Administrative Assistant-B&E, Chelsea Hodgson, serving as the Chairperson.

CHAIRMAN'S AWARD RECIPIENTS

The Chairman's Award is a prestigious award given annually 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 2020 two employees were honoured with the award: Connection Foreman-Water Supply Manuel Powery and Corporate Communications Officer Edlyn Ruiz Stoll. Mr Powery was selected for his hard work and dedication in completing several major projects, within a short period following the COVID lockdowns. Mrs Ruiz Stoll was chosen for her commitment through the year, keeping both customers and staff informed through the earthquake, the pandemic and other emergencies in 2020.





**LOOKING
AHEAD**

LOOKING AHEAD

Water Authority will host the Caribbean Water and Wastewater Association 20th Annual Conference in October 2021. It is anticipated that the conference will be an in-person event, providing that COVID-19 restrictions allow for international travel.

The 2021 conference logo, designed by the Authority's Laboratory Technologist JD Banks, was unveiled at the 2020 virtual conference's closing ceremony.



INNOVATION & SMART TECHNOLOGIES BUILDING RESILIENCE IN THE WATER & WASTE INDUSTRIES



30th Annual Conference
and Exhibition
THE CAYMAN ISLANDS | 2021

**FINANCIAL
STATEMENTS**

**THE WATER AUTHORITY
OF THE CAYMAN ISLANDS**

FINANCIAL STATEMENTS
31 December 2020

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Water Authority of the Cayman Islands
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
31 December 2020

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 Act (2020 Revision)* and reference to *Section 17(1)* of the *Water Authority Act (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 Act (2020 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.

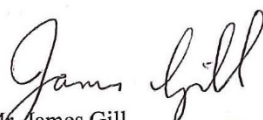
As Chairman, Director and Financial Controller, we are responsible for the preparation of the Water Authority of the Cayman Islands' financial statements and for the judgements made in them.

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 2020.

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 2020;
- (b) fairly reflect the financial position as at 31 December 2020 and comprehensive income as at and for the year ended 31 December 2020; 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. James Gill
Board member on behalf of
Chairman
Water Authority of the Cayman Islands


Ms. Lori Bergman

Financial Controller
Water Authority of the Cayman Islands


Dr. Gelia Frederick-van Genderen
Director
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 2020, 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 2020 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 (including International Independence Standards) (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 16 March 2021, 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 Act, 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Act (2020 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

29 April 2021



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Sue Winspear
Auditor General

29 April 2021



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Water Authority of the Cayman Islands
Statement of Financial Position
As at 31 December 2020
(Stated in Cayman Islands dollars)

	Note	31 December 2020	31 December 2019
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	62,741,510	65,076,173
Total non-current assets		62,741,510	65,076,173
<i>Current assets</i>			
Cash and cash equivalents		15,964,599	9,819,276
Fixed deposits		29,910,456	24,575,776
Accounts receivable, net	3	3,907,898	4,078,740
Unbilled revenue	10	1,398,729	1,815,831
Inventory, net	4	223,654	111,507
Prepaid expenses		234,012	72,387
Total current assets		51,639,348	40,473,517
Total assets		114,380,858	105,549,690
Liabilities and shareholder's equity			
Liabilities			
<i>Non-current liabilities</i>			
Lease liabilities	12	88,659	96,414
Employee pension benefits, net	9(a)	3,139,000	2,621,000
Pension employee healthcare benefits, net	9(c)	7,252,000	7,032,000
Non-pension employee healthcare benefits, net	9(d)	24,365,000	17,795,000
Total non-current liabilities		34,844,659	27,544,414
<i>Current liabilities</i>			
Accounts payable		2,390,199	1,284,747
Contract retention payable		56,594	56,594
Customer deposits		1,610,032	1,557,657
Total current liabilities		4,056,825	2,898,998
Total liabilities		38,901,484	30,443,412
Shareholder's equity			
Contributed capital	7	236,000	236,000
Retained earnings		75,243,374	74,870,278
Total shareholder's equity		75,479,374	75,106,278
Total liabilities and shareholder's equity		114,380,858	105,549,690

On behalf of the Board on 29 April 2021

JAMES GILL

GELIA FREDERICK-VAN GENDEREN

LORI BERGMAN

Board Member on behalf of
the 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 2020
(Stated in Cayman Islands dollars)

	Note	31 December 2020	31 December 2019
Operating revenue			
Water sales		27,771,940	29,711,364
Sewerage fees		4,941,327	4,841,135
Septage disposal		202,558	236,437
Agency work		126,028	166,229
Connection and miscellaneous fees		22,120	24,040
Total operating revenue		33,063,973	34,979,205
Operating expenses			
Water purchases and production		6,092,567	6,801,069
Depreciation expense	5	3,652,414	3,961,726
Salaries		3,504,571	3,233,060
Repairs and maintenance		1,392,602	1,603,412
Wages		1,649,593	1,333,898
Electricity		914,308	1,275,393
Supplies		1,085,364	837,385
Miscellaneous		348,497	325,324
Impairment of property, plant and equipment	5	18,771	213,853
Total operating expenses		18,658,687	19,585,120
Finance costs			
Interest expense		4,580	16,601
Gross operating profit		14,400,706	15,377,484
Other income			
Royalties		554,210	1,418,103
Other		124,494	120,181
Statutory licencing fees		6,123	15,093
Interest income		336,006	386,047
Total other income		1,020,833	1,939,424
Operating profit		15,421,539	17,316,908

(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 2020
(Stated in Cayman Islands dollars)

	Note	31 December 2020	31 December 2019
Administration expenses			
Salaries	8	2,514,119	2,334,836
Staff training and benefits		2,090,351	1,805,662
Non-pension employee healthcare benefits cost	9(d)	2,377,000	1,315,000
Insurance		859,388	833,939
Telephone and utilities		425,194	427,270
Miscellaneous		379,260	380,259
Information systems		396,722	379,629
Pension employee healthcare benefits cost	9(c)	412,000	335,000
Legal and professional fees		335,661	261,924
Depreciation expense	5	134,598	134,598
Repairs and maintenance		149,951	132,402
Licenses and dues		63,113	92,322
Office and lab supplies		34,539	54,345
Office rental		4,320	4,320
Defined benefit pension cost	9(a)	99,000	(24,000)
Bad debt expense		103,227	(365,332)
Total administration expenses		10,378,443	8,102,174
Net profit for the year		5,043,096	9,214,734
Other comprehensive loss			
Remeasurements of non-pension employee healthcare plan	9(d)	(4,193,000)	(4,835,000)
Remeasurements of pension employee healthcare plan	9(c)	192,000	(1,578,000)
Remeasurements of defined benefit pension plan	9(a)	(419,000)	(463,000)
		(4,420,000)	(6,876,000)
Comprehensive income for the year		623,096	2,338,734

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 2020
(Stated in Cayman Islands dollars)

	Note	31 December 2020	31 December 2019
Contributed capital			
Balance at beginning of year	7	236,000	236,000
Retained Earnings			
Balance at beginning of year		74,870,278	72,781,544
Net income for the year		5,043,096	9,214,734
Other comprehensive loss for the year		(4,420,000)	(6,876,000)
Contribution to Government	8	(250,000)	(250,000)
Balance at end of year		75,243,374	74,870,278
Total shareholder's equity		75,479,374	75,106,278

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 2020
(Stated in Cayman Islands dollars)

	Note	31 December 2020	31 December 2019
Cash flows from operating activities			
Net income for the year		5,043,096	9,214,734
Adjustments to reconcile net income for the year to net cash generated by operating activities:			
Depreciation expense	5	3,787,012	4,096,324
Impairment of property, plant and equipment	5	18,773	213,853
Add/(deduct) net changes in non-cash operating balances:			
Accounts receivable, net		170,842	(570,017)
Unbilled revenue		417,102	(828,954)
Inventory, net		(112,147)	102,077
Prepaid expenses		(161,625)	132,029
Accounts payable		1,105,452	(508,072)
Contract retention payable		-	(27,969)
Customer deposits		52,375	114,603
Employee pension benefits, net		99,000	(24,000)
Pension employee healthcare benefits, net		412,000	335,000
Non-pension employee healthcare benefits, net		2,377,000	1,315,000
Net cash generated by operating activities		13,208,880	13,564,608
Cash flows from investing activities			
Property, plant and equipment purchased	5	(2,693,327)	(2,854,586)
Property, plant and equipment disposed		1,222,205	-
Purchase of fixed deposits		(5,334,680)	(10,384,742)
Net cash used in investing activities		(6,805,802)	(13,239,328)
Cash flows from financing activities			
Repayment of loans payable		-	(613,344)
Payment of lease liabilities		(7,755)	(7,404)
Contribution to Government	8	(250,000)	(250,000)
Net cash used in financing activities		(257,755)	(870,748)
Net increase/(decrease) in cash and cash equivalents during year		6,145,323	(545,468)
Cash and cash equivalents at beginning of year		9,819,276	10,364,744
Cash and cash equivalents at end of year		15,964,599	9,819,276
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 2020

1. 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 Act (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.

In 2018 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 Act, (2020 Revision) came into force on 1 June 2017. The purpose of the Act is to provide uniform regulation of the management and governance of public authorities.

As at 31 December 2020, the Water Authority had 135 employees (31 December 2019: 139 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) Functional and presentation currency

These financials are presented in Cayman Islands dollars (CI\$), 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 2020

2. Significant Accounting Policies (continued)

(d) Property, plant and equipment

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.

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 2020

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 amortisation

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 2020

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.

(j) 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 2020

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 2020

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 2020

3. Accounts receivable, net

Lifetime expected credit losses have been calculated using sales invoices billed between 1 January 2020 and 31 December 2020 and the actual cash collection dates of these invoices to determine a historical collection profile by aging category.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Trade Receivables	4,034,180	4,102,814
Other Receivables	415,468	414,450
Allowance for Doubtful Accounts	(541,750)	(438,524)
	<u>3,907,898</u>	<u>4,078,740</u>

4. Inventory, net

	<u>31 December 2020</u>	<u>31 December 2019</u>
Consumables	165,649	51,044
Water Inventory	73,866	76,324
Provision for Obsolete Inventory	(15,861)	(15,861)
	<u>223,654</u>	<u>111,507</u>

5. Property, plant and equipment

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

	<u>31 December 2020</u>	<u>31 December 2019</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	207,164	207,165
4. Cayman Brac – Distribution Extension	148,000	190,001
5. Cayman Brac – Upgrade to Water Distribution Pumps	-	13,327
	<u>1,711,398</u>	<u>1,516,025</u>

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 2020

5. Property, plant and equipment (continued)

	31 December 2020								
	Freehold Land	Buildings	Water Supply	Sewage	Other Assets	Construction in Progress	Right-of Use Assets	Spare Parts	Total
Cost									
Balance at beginning of year	3,555,599	5,650,711	76,014,867	30,471,456	9,528,371	1,766,727	103,818	1,121,756	128,213,305
Additions	-	-	-	-	101,370	1,311,348	-	1,280,609	2,693,327
Disposals – impairment	-	-	(44,693)	-	-	-	-	-	(44,693)
Disposals	-	-	-	-	-	-	-	(1,222,205)	(1,222,205)
Transfers between fixed assets	-	-	1,337,991	28,686	-	(1,366,677)	-	-	-
Balance at end of year									
CIS	3,555,599	5,650,711	77,308,165	30,500,142	9,629,741	1,711,398	103,818	1,180,160	129,639,734
Accumulated Depreciation									
Balance at beginning of year	-	1,717,142	36,818,355	17,152,688	7,439,509	-	9,438	-	63,137,132
Depreciation expense	-	113,014	2,593,907	589,435	481,218	-	9,438	-	3,787,012
Disposals - impairment	-	-	(25,920)	-	-	-	-	-	(25,920)
Balance at end of year									
CIS	-	1,830,156	39,386,342	17,742,123	7,920,727	-	18,876	-	66,898,224
Net Book Value at 31 December 2020									
CIS	3,555,599	3,820,555	37,921,823	12,758,019	1,709,014	1,711,398	84,942	1,180,160	62,741,510

During the year ended 31 December 2020, the Water Authority identified projects to be upgraded which resulted in a net impairment loss of the original assets of CI\$18,771 (31 December 2019: CI\$213,853) that was recorded against plant and equipment assets in the water supply and sewage categories. The total cost of the refurbishments and replacement was CI\$82,773 (31 December 2019: CI\$787,533).

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2020

5. Property, plant and equipment (continued)

31 December 2019

	Freehold Land	Buildings	Water Supply	Sewage	Other Assets	Construction in Progress	Right-of Use Assets	Spare Parts	Total
Cost									
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	-	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	103,818	1,121,756	128,213,305
CI\$									
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	7,439,509	-	9,438	-	63,137,132
CI\$									
Net Book Value at 31 December 2019									
CI\$	3,555,599	3,933,569	39,196,512	13,318,768	2,088,862	1,766,727	94,380	1,121,756	65,076,173

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2020

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 2019: CI\$416,000). At 31 December 2020, CI\$Nil (31 December 2019: 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\$18,547 (31 December 2019: CI\$18,450) relating to their services rendered during the year ended 31 December 2020. 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 2019: CI\$250,000).
2. The remuneration of directors and other members of key management personnel for the year ended 31 December 2020 was CI\$1,102,594 (31 December 2019: CI\$965,165). This amount entirely pertains to short-term employee benefits, namely salary, medical insurance and pension contributions. Included in this figure is pension contributions of CI\$49,444 (31 December 2019: CI\$41,934). No loans were issued to key management personnel during the year (31 December 2019: CI\$Nil). There were 7 personnel categorised in 2020 broken down as 6 key management personnel and 1 Director (31 December 2019: 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, 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 "PSPB"). The PSPB 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 3 (31 December 2019: 4). Pension contributions for eligible employees of the Authority are paid to the Fund. The Fund is operated as a multi-employer Fund, except that surpluses or deficits related to the Authority's plan are not available to offset or be set off against other plan participants' deficits or surpluses.

The Authority expects to pay CI\$124,000 in contributions to the Plan in 2021.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2020

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 in April 2021 using data as at 31 December 2020. 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 2020.

The actuarial position is as follows:

	31 December 2020	31 December 2019
	CIS000's	CIS000's
Defined benefit obligation	(4,538)	(3,950)
Fair value of plan assets	1,399	1,329
Net liability at end of year	<u>(3,139)</u>	<u>(2,621)</u>

The present value of the funded obligation changes as follows:

	31 December 2020	31 December 2019
	CIS000's	CIS000's
Defined benefit obligation at beginning of year	3,950	3,083
Current service cost	64	49
Interest expense	128	129
Plan participant contributions	13	14
Benefit payments from plan assets	(11)	-
Transfer between other participating employers	(181)	-
Remeasurements	575	675
Defined benefit obligation at end of year	<u>4,538</u>	<u>3,950</u>

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

	31 December 2020	31 December 2019
	CIS000's	CIS000's
Fair value of plan at beginning of year	1,329	901
Interest income	44	40
Employer contributions	11	162
Plan participant contributions	13	14
Benefit payment from plan assets	(11)	-
Transfer between other participating employers	(181)	-
Adjustment of prior years' cash flows allocations	38	-
Remeasurements	156	212
Fair value of plan at end of year	<u>1,399</u>	<u>1,329</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2020

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

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

	31 December 2020	31 December 2019
	CIS000's	CIS000's
Current service cost, net of employee contributions	64	49
Net interest cost	84	89
Total defined benefit cost	148	138
Employer contributions recognised in administrative expenses	(11)	(162)
Adjustment of prior years' cash flow allocations	(38)	-
Net defined benefit cost	99	(24)

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

	31 December 2020	31 December 2019
	CIS000's	CIS000's
Effect of changes in demographic assumptions	(86)	(15)
Effect of changes in financial assumptions	741	640
Effect of experience adjustments	(80)	50
Return on plan assets (excluding interest income)	(156)	(212)
Remeasurements	419	463

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

	31 December	31 December
	2020	2019
Equity securities	82%	79%
Debt securities	18%	20%
Cash	0%	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	31 December
	2020	2019
Discount rate	2.60%	3.50%
Salary increase	2.50%	2.50%
Price inflation rate	2.00%	2.00%
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 2020

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.

The sensitivity of the defined benefit obligation at 31 December 2020 and 31 December 2019 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2020			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.9%	Increase by 5.3%
Inflation rate	0.25%	Increase by 4.4%	Decrease by 4.7%
Mortality	10%	Decrease by 2.6%	Increase by 7.6%

Impact on defined benefit obligation 2019			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.6%	Increase by 5.0%
Inflation rate	0.25%	Increase by 4.2%	Decrease by 4.0%
Mortality	10%	Decrease by 2.4%	Increase by 2.6%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised within the statement of financial position.

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 2019: 5% and 5%), respectively of salary contributions to the defined pension contribution plan. The total employees enrolled in the defined pension contribution plan is 128 (31 December 2019: 129).

The total amount recognised as employer contributions for the year ended 31 December 2020 was CI\$381,346 (31 December 2019: CI\$729,281) to the defined pension contribution plan. This amount is included in administrative expenses (staff training and benefits).

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2020

9. Employee Benefits (continued)

c) Pension Employee Defined Benefit Healthcare Plan

The current number of active members entitled to the pension employee defined benefit healthcare plan is 10 (31 December 2019: 11), 7 of the 10 members which qualified for early retirement exercised their right and are therefore no longer part of the defined benefit pension plan. The total amount recognised as employer contributions for the year ended 31 December 2020 was C\$68,832 (31 December 2019: C\$71,620). This amount is included in administrative expenses (staff training and benefits). The Authority expects to pay C\$104,000 in contributions to the Plan in 2021.

The most recent actuarial valuation for IAS 19 reporting was conducted 8 April 2021 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 2020.

The actuarial position is as follows:

	31 December 2020	31 December 2019
	C\$000's	C\$000's
Pension employee healthcare benefits obligation	(7,252)	(7,032)
Fair value of plan assets	-	-
Net liability at end of year	<u>(7,252)</u>	<u>(7,032)</u>

The present value of the funded obligation changes as follows:

	31 December 2020	31 December 2019
	C\$000's	C\$000's
Pension employee healthcare benefits at beginning of year	7,032	5,119
Current service cost	178	115
Interest expense	234	220
Remeasurements	(192)	1,578
Pension employee healthcare benefits at end of year	<u>7,252</u>	<u>7,032</u>

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

	31 December 2020	31 December 2019
	C\$000's	C\$000's
Current service cost, net of employee contributions	178	115
Net interest cost	234	220
Total pension employee healthcare benefits	<u>412</u>	<u>335</u>
Net pension employee healthcare benefits cost	<u>412</u>	<u>335</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2020

9. Employee Benefits (continued)

c) Pension Employee Defined Benefit Healthcare Plan (continued)

The remeasurements included in other comprehensive loss are as follows:

	31 December 2020	31 December 2019
	CIS000's	CIS000's
Effect of changes in demographic assumptions	(1,237)	534
Effect of changes in financial assumptions	1,138	1,104
Effect of experience adjustments	(93)	(60)
Remeasurements	<u>(192)</u>	<u>1,578</u>

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 2020	31 December 2019
Discount rate for obligation	2.70%	3.60%
Discount rate for costs	3.70%	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

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.

The sensitivity of the defined benefit obligation at 31 December 2020 and 31 December 2019 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2020			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.7%	Increase by 5.1%
Healthcare cost trend rate	1%	Increase by 21.7%	Decrease by 16.9%
Mortality	10%	Decrease by 5.1%	Not applicable

Impact on defined benefit obligation 2019			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.5%	Increase by 4.8%
Healthcare cost trend rate	1%	Increase by 20.3%	Decrease by 16.0%
Mortality	10%	Decrease by 4.7%	Not applicable

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2020

9. Employee Benefits (continued)

c) Pension Employee Defined Benefit Healthcare Plan (continued)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised within the statement of financial position.

d) Non-pension Employee Defined Benefit Healthcare Plan

The current number of active employees entitled to the non-pension employee healthcare benefits plan is 123 (31 December 2019: 116)

The most recent actuarial valuation for IAS 19 reporting was conducted on 8 April 2021 using data as at 31 December 2020. 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 2020. The Authority expects to pay CI\$85,000 in contributions to the Plan in 2021.

The actuarial position is as follows:

	31 December 2020	31 December 2019
	CI\$000's	CI\$000's
Non-pension employee healthcare benefits obligation	(24,365)	(17,795)
Fair value of plan assets	-	-
Net liability in financial position at end of year	<u>(24,365)</u>	<u>(17,795)</u>

The present value of the funded obligation changes as follows:

	31 December 2020	31 December 2019
	CI\$000's	CI\$000's
Non-pension employee healthcare benefits obligation at beginning of year	17,795	11,645
Past service cost	501	-
Current service cost, net of employee contributions	1,337	843
Employer direct benefit payments	(56)	(34)
Interest expense	595	506
Remeasurements	4,193	4,835
Non-pension employee healthcare benefits at end of year	<u>24,365</u>	<u>17,795</u>

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9. Employee Benefits (continued)

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

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

	31 December 2020	31 December 2019
	CIS000's	CIS000's
Past service cost	501	-
Current service cost, net of employee contributions	1,337	843
Net interest cost	595	506
Total non-pension employee healthcare benefits cost	2,443	1,349
Employer direct benefit payments	(56)	(34)
Net non-pension employee healthcare benefits cost	2,377	1,315

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

	31 December 2020	31 December 2019
	CIS000's	CIS000's
Effect of changes in demographic assumptions	(489)	937
Effect of changes in financial assumptions	5,117	3,884
Effect of experience adjustments	(435)	14
Remeasurements	4,193	4,835

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 2020	31 December 2019
Discount rate for obligation	2.70%	3.60%
Discount rate for costs	3.70%	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.

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

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9. Employee Benefits (continued)

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

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.

The sensitivity of the defined benefit obligation at 31 December 2020 and 31 December 2019 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2020			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 6.7%	Increase by 7.3%
Healthcare cost trend rate	1%	Increase by 31.5%	Decrease by 23.0%
Mortality	10%	Decrease by 5.0%	Not applicable

Impact on defined benefit obligation 2019			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 6.4%	Increase by 7.0%
Healthcare cost trend rate	1%	Increase by 30.9%	Decrease by 22.7%
Mortality	10%	Decrease by 4.9%	Not applicable

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension obligation recognised within the statement of financial position.

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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 2020	31 December 2019	Type of contract	Timing of transfer
Water Sales	CI\$	27,771,940	29,711,364	Fixed fee	Point in time
Sewerage fees		4,941,327	4,841,135	Fixed fee	Point in time
Septage disposal		202,558	236,437	Fixed fee	Point in time
Connection and miscellaneous fees		22,120	24,040	Fixed fee	Point in time
Agency work		126,028	166,229	Fixed fee	Point in time
Total	CI\$	33,063,973	34,979,205		

(i) Contract balances

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

		31 December 2020	31 December 2019
Accounts receivable	CI\$	4,034,180	4,102,814
Contract assets:			
Unbilled revenue	CI\$	1,398,732	1,815,831

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 2020	31 December 2019
Unbilled revenue at the beginning of the year	CI\$	1,815,831	986,877
Transfers from unbilled revenue recognised at the beginning of the year to receivables		1,815,831	(986,877)
Increases as a result of services performed but not yet billed		1,398,729	1,815,831
Unbilled revenue at the end of the year	CI\$	1,398,729	1,815,831

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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 applied IFRS 16 in the prior year using the modified retrospective approach. The lease liabilities were discounted at a rate of 4.75% as defined by the Cayman Islands Government at the time of adoption of IFRS 16 (1 January 2019).

Maturity analysis – contractual undiscounted cash flows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within one year	12,335	12,335
After one year but not more than five years	49,340	49,340
After more than five years	49,340	61,675
Total undiscounted lease liabilities at 31 December	<u>111,015</u>	<u>123,350</u>
Lease liabilities included in the statement of financial position at 31 December	<u>88,659</u>	<u>96,414</u>
Current	8,124	7,755
Non-current	80,535	88,659

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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\$1,610,032 (31 December 2019: CI\$1,557,658).

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 2020</u>	<u>31 December 2019</u>
Trade Receivables	4,034,180	4,102,814
Unbilled revenue	1,398,729	1,815,831
Other Receivables	415,468	414,450
Fixed deposits	29,910,456	24,575,776
	<u>CI\$ 35,758,833</u>	<u>30,908,871</u>

The expected loss rates are based on the payment profile for revenue generated over the past 12 months before 31 December 2020 and 1 January 2020 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 2020, an allowance for doubtful receivables of CI\$541,750 has been made against accounts receivable (31 December 2019: CI\$438,524). The aging of trade and other receivables at 31 December 2020 is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Current	1,362,124	1,681,239
Between 30 days and 60 days	759,242	955,597
Between 60 days and 90 days	258,098	233,560
Greater than 90 days	2,070,184	1,646,868
	<u>CI\$ 4,449,648</u>	<u>CI\$ 4,517,264</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 2020, accounts payable are all due within 3 months of the statement of financial position date.

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.

Management does not consider there to be a significant interest rate risk due to the low interest environment.

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.

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

Section 47 of the Public Authorities Act (the “PAA”) 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 PAA 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. 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. Negotiations were concluded on 18 November 2020 when the Board of the Water Authority and OfReg signed into practise a Memorandum of Understanding that determined a clear and transparent funding mechanism for the regulatory functions performed by OfReg for 2019 and 2020. The Authority is unable to determine a final amount related to 2019 or 2020 until audited financial statements are available from both the Authority and OfReg as the cost is based on actual expenditure of both entities. An amount of \$215,552 and \$405,453 has been included in these financial statements for the 2019 and 2020 periods respectively. Future adjustments will be reflected in the financial records as the information becomes available.

16. Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to 29 April 2021, which is the date that the financial statements were approved and available to be issued. No subsequent events were identified that require additional disclosures in these financial statements.



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The Water Authority is statutory authority that falls under the portfolio of the Ministry of Education, Youth, Sports, Agriculture & Lands.

The Authority's operations are governed by the Water Authority Law, the Water Authority Regulations, the Water Collections and Treatment Law, and the Water (Production and Supply) Law.