

2022

ANNUAL REPORT



Water Authority - Cayman





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Chairman's Message

The Board of Water Authority-Cayman is pleased to present the 2022 Annual Report.

This Annual Report outlines the Water Authority's performance during the 2022 fiscal year, comparing it to the planned performance outlined in the Ownership Agreement for the Authority, or as amended through the supplementary appropriation process. Further, it provides an analysis of the Authority's performance in comparison to previous years. The requirement for an Annual Report is mandated by section 52 of the Public Management and Finance Act (2013 Revision) (PMFA).

The annual report serves to highlight the key strategic goals of the Water Authority, the achievements throughout the year, and plans for the upcoming financial period.

The Water Authority is fully cognizant of the rapid development taking place in the Cayman Islands and remains dedicated to strengthening its resilience while meeting the challenges that arise from this growth. The Authority's foremost mission is to provide the people of the Cayman Islands with reliable and high-quality potable water, safely managed wastewater services, and to protect our groundwater resources. As outlined in this report the Authority is making strides to develop a robust network that will meet future demands and be resilient to changes. The Board looks forward to seeing how efforts made this year, such as the construction of new reservoirs and a new water production plant, will come to bear fruit for the community in the coming years.

Furthermore, the Water Authority remains committed to giving back to the community. Through initiatives such as Project Angel Tree, dress-down days, and various other efforts, Water Authority employees consistently find ways to make a positive impact.

Looking ahead, in 2023 the Water Authority will celebrate its 40th Anniversary with various activities and events bringing together the Authority's valued customers, dedicated employees, and the wider Cayman community.

My sincere thanks to all Water Authority Board members, and on behalf of the Board, thank you to every staff member of the Water Authority for their continued hard work and organisational commitment.

Mr Darrel Rankine
Board Chairman



Director's Message

As Director of the Water Authority, I am pleased to present the 2022 Annual Report on behalf of the Authority's management team and staff.

The year began with a strong focus on mitigating the spread of COVID-19 within our community. The Water Authority implemented rigorous measures to ensure the safety of our staff while maintaining uninterrupted business operations. As the country transitioned to the 'living with COVID' strategy, Government regulations were significantly reduced, bringing us closer to a sense of normalcy reminiscent of the pre-pandemic era.

This favourable shift in the COVID-19 landscape allowed the Water Authority to make significant progress in critical capital development projects. These projects are vital in establishing a resilient infrastructure network capable of meeting the growing demands of the Cayman Islands. Notably, we commenced the construction of two new water reservoirs in North Side and initiated the development of a state-of-the-art Reverse Osmosis Water Production Plant at our Red Gate facility.

Throughout 2022, we successfully completed several infrastructure projects, including the much-needed upgrade of the water supply infrastructure on Anthony Drive and Marina Drive, among others. Additionally, we prioritised the development of customer-centric tools to enhance our service offerings. A notable example of this was the activation of an internally developed account balance query software, allowing customers to conveniently check their balances over the phone.

It was with great pleasure that we announced Levi Superville as the recipient of our 2022 Scholarship. Levi is currently pursuing a degree in Chemical Engineering at McMaster University in Canada. The Water Authority's scholarship programme serves as a testament to our commitment to supporting the educational aspirations of deserving individuals within our community who wish to develop a career with the Water Authority.

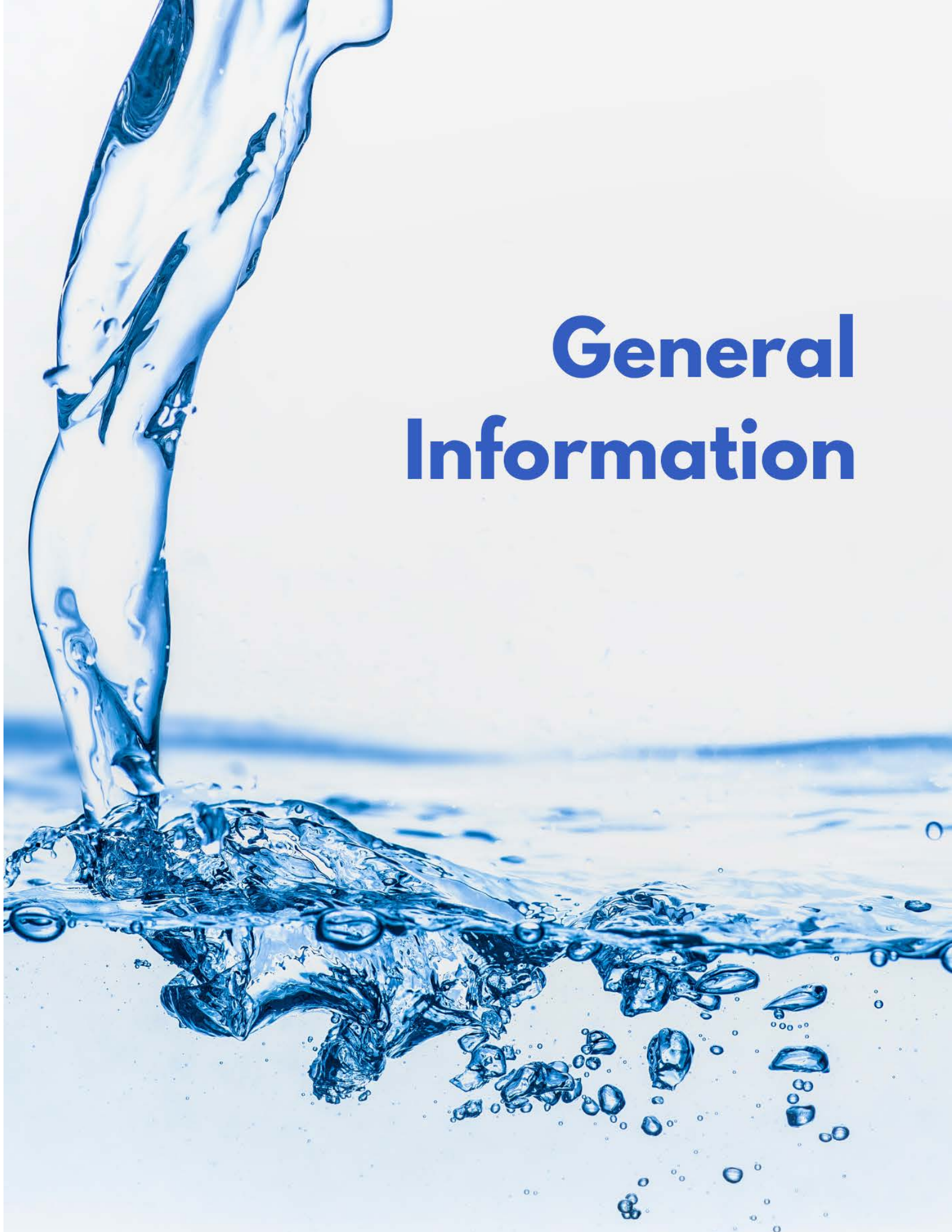
Additionally, we were delighted to welcome back Dr Brian Jones to the Water Authority. Dr Jones, a professor emeritus of geology at the University of Alberta, has been conducting research in the Cayman Islands for the past 40 years, with the invaluable support of the Authority. After a hiatus due to the COVID-19 pandemic, Dr Jones returned to the island to continue his research, host Geology Education Week, and commence preparations for the launch of his book, "Geology of the Cayman Islands."

In 2023, our commitment to giving back to the community remained a top priority. Our staff actively participated in various charity walk/run events, dress down days, and initiatives such as the Earth Day Clean Up. As we approach our 40th Anniversary Celebrations next year, we eagerly anticipate continuing our community service efforts. In addition to engaging with the community, we will focus on student education and staff recognition as integral parts of the festivities. To ensure a memorable and impactful celebration, a dedicated planning committee has been commissioned to develop a comprehensive series of events that will span the entire year.

In conclusion, I would like to express my gratitude to the dedicated team at the Water Authority for their unwavering commitment and hard work throughout the year. Their efforts have been instrumental in achieving our goals and ensuring the provision of reliable water services to the Cayman Islands.

Dr Gelia Frederick-van Genderen, Cert Hon

Water Authority Director

A high-speed photograph of water being poured, creating a dynamic splash with many bubbles and droplets. The water is a deep blue color, and the background is a light, hazy blue.

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.

VISION AND VALUES

To provide world class service using homegrown talent to meet the current and future need of our Cayman Islands.

The values of the Water Authority are Honesty, People, High Standards, Service and Process (the way we do things).

GOVERNANCE

The Authority is a statutory authority that falls under the Ministry of District Administration & Lands (DAL) portfolio.

- 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 (2022 Revision), the Water Authority Regulations (2022 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.



- Water Sector Regulation Act (2019 Revision)
- 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 Law (Law 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

2022 was a productive financial year as the Authority continues to be a fiscally responsible and a financially independent government entity serving over 20,000 water customers across Grand Cayman and Cayman Brac, and over 450 wastewater customers in Grand Cayman.

The Authority paid a \$250,000 dividend (2021 - \$250,000) to the Cayman Islands Government during the 2022 year.

FINANCIAL PERFORMANCE

Although Water sales in 2022 were consistent with 2021, the Authority was able to prudently manage expenses and finish the year with a Net Profit of \$2.1 million.





RESULTS FROM OPERATIONS

Sales of potable water continue as the main revenue source with 84.0% (2021 – 83.9%) with Sewerage Fees reporting 14.8% (2021 – 15.1%) and the remaining 1.2% (2021 – 1.0%) from Septage Disposal, Royalties, and miscellaneous income.

The cash position of the Authority continues to increase from operations with an ending cash balance of \$9.8 million (2021 - \$13.0 million) and term deposits held by the Cayman Islands Treasury of \$46.4 million (2021 - \$40.1 million). In 2022, \$346,479 (2021 \$157,039) was earned in deposit interest income with rates varying between 0.15% and 4.20% depending on value and term.

A key component of the Authority's finance department is to collect and allocate customer utility payments. Electronic payment options adopted by customers during COVID continue to be the dominant payment method with online payments replacing front-office in-person payments. Compared to 2019, the last full year of normal operations prior to COVID in-person payments were down 32% in 2022, bank payments were up 31% and web payments increased by 84% over the last three years.

ACTUARY POSITIONS

Under the umbrella of the Public Service Pension Board, the Authority undertook three Actuary reports for the year ending 31 December 2022. This reporting and inclusion in the financial statement is imperative to understand the long-term liabilities of the Authority.

BUDGET POSITION

The published 2022 Ownership Agreement estimated an operating Surplus of \$643,000, taking into consideration the uncertainty of the Post-Retirement Health and Pension reports, however, the audited financial statements in the appendix reflect that the Authority ended its 2022 financial year with a Net profit for the year of \$2.1 million and a comprehensive net income of \$8.1 million.

2022 At a Glance



57,789

Laboratory samples tested



848

Million gallons of wastewater treated



20,429

Grand Cayman water customers

478

Cayman Brac piped water customers



476

Sewerage Customers

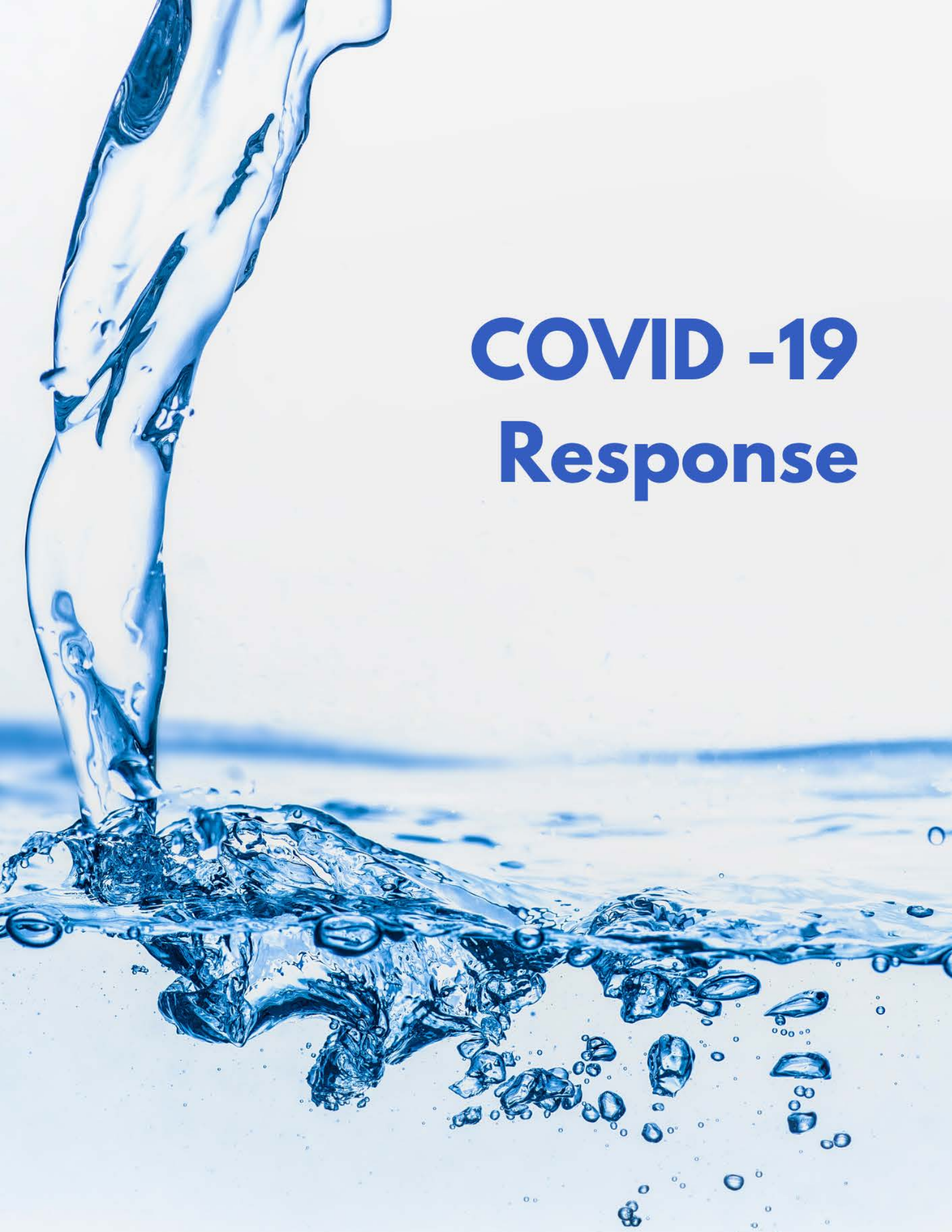


4,721,431 m³

Volume of water sold in Grand Cayman

131,260 m³

Volume of water sold in Cayman Brac
(piped and trucked water)

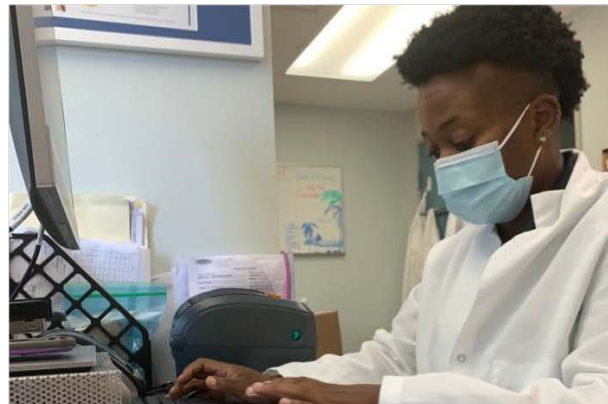


COVID -19 Response

Overview

At the beginning of 2022, the Cayman Islands began to see a rise in community spread, with the majority of cases being the highly contagious Omicron variant. To allow for business continuity and keep schools open, masking, and lateral flow testing became important tools for living with COVID-19. This rise in COVID-19 cases also impacted the Water Authority, with many staff isolated due to illness or being a close contact of a positive case.

Water Authority-Cayman implemented several safeguarding protocols. These included mask requirements for staff and customers, increasing staff COVID-19 safety messages, implementing room restrictions to maintain social distancing, and having staff work from home where possible.



The Authority developed staff continuity plans, outlining protocols for dealing with positive cases and required isolations. The Authority also procured lateral flow tests and implemented weekly screening tests. Additionally, the Authority promoted electronic services, such as online payments and the customer portal, to reduce foot traffic.

Since the onset of the pandemic, the Authority purchased bulk hand sanitiser and maintained significant inventory on hand. Management, in collaboration with the COVID-19 Coordinating Response Team (COCORT), distributed the individual bottles to staff members, keeping a small inventory for future distribution. Some of the stock was donated to the Ministry of Education, the East End Primary School and schools across Cayman Brac.

To better align with the country's strategy of safely living with COVID, the Authority developed a "Living with COVID-19 Plan." This plan encompasses all COVID-19 policies in effect within the Water Authority, giving staff a single point of reference for all COVID safety procedures.

Due to a declining number of cases, the government issued new regulations at the end of June. Key changes included the dropping of indoor mask mandates in public spaces, the dropping of pre-arrival COVID testing for inbound travellers, and the removal of exit testing after completing isolation following a positive COVID-19 test. As such, the Water Authority dropped its mask mandate for both staff and customers (though allowed an individual to continue to wear a mask if they chose to), discontinued the use of the contract tracing visitor log, and allowed for meeting with non-Water Authority staff to take place at Water Authority facilities. LFT screening test procedures remained, and employees were encouraged to avail themselves of the appropriate vaccine and boosters as part of their personal protection plan.

A dynamic, high-speed photograph of water splashing, creating a large, turbulent splash at the bottom and a stream of water falling from the top left. The water is a deep blue color, and the background is a light, hazy blue. The overall effect is one of movement and energy.

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.



1

Maintain adequate infrastructure to operate efficiently

2

Maintain water production capacity distribution and storage

3

Cayman Brac water distribution extension and Bluff Water Works

4

Improve integrity of the existing wastewater collection system and future extension

5

Provide Potable water to Little Cayman

6

Tools, vehicle and equipment renewal to support the Authority's operations and capital projects



GOAL 1: MAINTAIN ADEQUATE INFRASTRUCTURE TO OPERATE EFFICIENTLY

In 2022, the Authority took on and completed several pipeline upgrades and extensions to maintain operational efficiency and accommodate future development these works include:

- Palm Dale infrastructure upgrade
- Crewe Road infrastructure upgrade
- Anthony Drive infrastructure upgrade
- Grackle Road infrastructure upgrade
- Oliver's Way extension (to improve supply reliability in the area)
- Cardinall Avenue infrastructure upgrade (to accommodate the redevelopment plans for the road as part of the George Town Revitalization Project)
- Devonshire Drive infrastructure upgrade
- Maple Road infrastructure upgrade
- Smith Road extension
- Austin Conolly Drive extension (to accommodate a proposed sub-division)
- Marina Drive infrastructure upgrade



GOAL 2: MAINTAIN WATER PRODUCTION CAPACITY, DISTRIBUTION AND STORAGE

North Side Degassifier Replaced

The degassifier for the North Side Water Works Reverse Osmosis (RO) Plant was changed out. The installation period was around 4.5 days. To prepare, the team ensured that the water storage reservoirs at both the North Side Water Works and the Lower Valley Water Works were completely full. The Lower Valley RO Plant was fully operational during this time to ensure continued water supply to customers. Ocean Conversion Cayman Ltd started the installation on 21 March 2022 and the work was completed on 25 March. The plant did not produce any water between 21-25 March 2022. The water distribution system was back to normal operation on 26 March 2022.

New Water Storage Tanks at North Side Water Works

A major project undertaken by the Authority is the construction of new reservoirs in North Side. This project will provide additional water storage capacity at the North Side Water Works, which is required to accommodate the expected growth within the water distribution system to ensure it remains adequate and reliable.

On 09 May 2022, the contract for the supply and erection of two bolted steel tanks for water storage at the North Side Water Works was awarded Jairam Ltd, following a competitive tendering procedure. The contract value is approximately CI\$ 4.4 million.

The Works will comprise the construction of two glass-fused-to-steel bolted-steel storage tanks, suitable for the storage of potable water, complete with the specified appurtenances (each with approximately 11,355 cubic metres storage capacity), on a reinforced concrete base and with an aluminium geodesic dome roof, at the North Side Water Works.

At the end of fiscal year 2022, the contractor had completed the interior sections of the base slab for both tanks and the containers with the sections for the aluminium geo-dome roofs had arrived on island. The containers with the tank sections are expected to arrive early in January 2023.



New Red Gate RO Plant:

The Authority began works to build a new RO Plant at the Red Gate Road Site. This new RO Plant will replace the existing and aging RO Plant, which was first commissioned in 1989 and has a production capacity of 5,000 cubic metres of potable water per day.

On 10 May 2022, the contract for the procurement of and an operating agreement for a new RO plant at the Water Authority's Red Gate Water Works was awarded to Ocean Conversion Cayman Limited, following a competitive tendering procedure.

The Works comprise the design and construction of a Sea Water RO Plant at the Authority's Red Gate Water Works with a design water production capacity of 10,000 cubic metres of potable water per day (2.64 million US gallons per day). The new RO Plant will double the current

capacity. Under the contract, Ocean Conversion Cayman Limited must operate and maintain the Plant for a period of ten years.

The Contractor started the site works for the building in early August and by the end of the fiscal year 2022, the ground floor slab and related pipework and duct routes had been completed. foundations for the main building had been completed as well. The new RO plant was expected to be operational by mid-November 2023 however supply chain challenges indicate that the plant will not be operational until early in 2024.



GOAL 3: CAYMAN BRAC WATER DISTRIBUTION EXTENSION AND BLUFF WATER WORKS

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

The Authority has over 12 acres of property near the Aston Rutty Centre on the Bluff for the purpose of developing a production, storage and pumping facility. This location would eliminate the vulnerabilities of the current water works facility which is prone to flooding due to its low-lying location. Hydrogeological information is required about the property in order to design the abstraction and disposal wells for the future seawater Reverses Osmosis plants. The Authority has faced challenges in getting responses from both local and international well drilling companies to carry out the preliminary hydrogeological investigations at the Bluff site. The process has been further delayed, partly due to COVID-19 travel restrictions. In 2023, completion of this investigation will be a priority for the Water Authority.

On average, the Water Authority has installed approximately 11,500 ft (just over 2 miles) of pipe annually. Since 2014 the Authority has invested approximately \$5.5 million in the Cayman Brac Distribution System Extension Project, with an addition of approximately \$1 million expended on pipeline repairs and upgrades. On average, the Authority has spent \$750,000 per annum up to mid-2022. On average, 43 new water meters were installed annually for a total to date of 368.

According to the 2021 Census, 299 households (32.2% of all households in Cayman Brac) are connected to mains water. When the pipeline extension has been completed to Spot Bay more than 70% of the Brac population will have access to piped water. To date the pipeline extension project has reached up to Surf Lane, including all side roads.

The total number of piped water customers increased from 377 in December 2021 to 478 at the end of December 2022, an increase of 27%.



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

The Engineering Services Department commenced manhole investigations in 2022 using the CUE SPiDER camera. Using the data collected on conductivity, detailed maps have been prepared that have been helpful in identifying problem areas and prioritising remediation work.

CUES will produce a MACP (Manhole Assessment Certification Protocol) report for each manhole inspected by the Authority, including SPiDER web viewer files and various other deliverables, on a portable drive and a printed report. A total of 450 manholes were inspected.

GOAL 5: PROVIDE POTABLE WATER TO LITTLE CAYMAN

In early March 2022 the Ministry of District Administration & Lands provided the Water Authority with a copy of the land registry confirming that Lands & Survey completed the transfer of a property in Little Cayman to the Water Authority's name. In the future, this will be the site for a small water production facility, a water storage reservoir, and a trucking facility that will be operated and maintained by the Water Authority.

GOAL 6: TOOLS, VEHICLE AND EQUIPMENT RENEWAL TO SUPPORT THE AUTHORITY'S OPERATIONS AND CAPITAL PROJECTS

The contract for the roof renovation of the Water Authority's Red Gate Operations Building was awarded on 05 January 2022 to Cayman Islands Roofing Ltd. Work began immediately Easter in early May. The work was completed on 25 May 2022.

OTHER ACHIEVEMENTS:

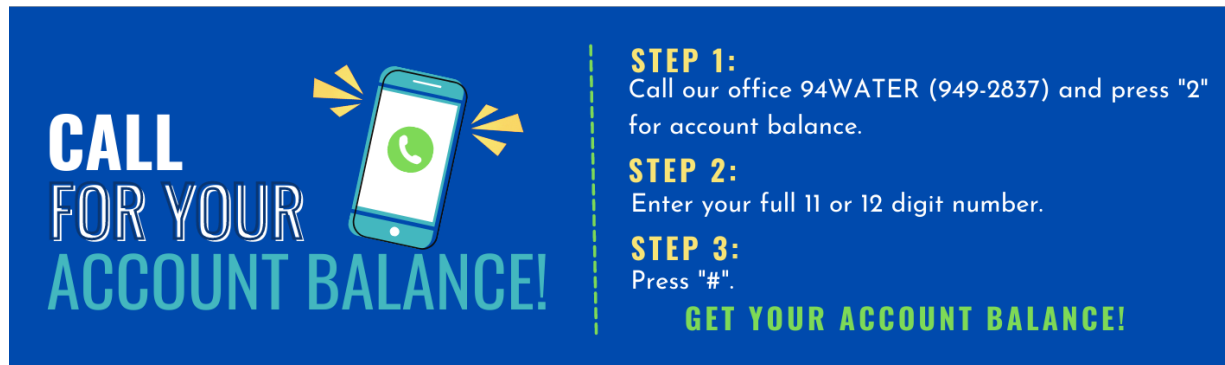
CALL FOR ACCOUNT BALANCE

The Information Systems and Customer Service Department worked together to activate a locally developed account balance query software to allow customers to call in to check their balance over the phone. Set up includes:

- the balance inquiry option,
- can facilitate four customers simultaneously
- a customer can query up to five accounts in one call
- a customer can enter the incorrect account number up to 3 times
- service is available to tenants

The new service was launched in May 2022. A campaign was rolled out to promote the new service and teach customers how to utilise the platform.

The service has proven to be a great convenience not only to customers but also to Customer Service Representatives, as it helps to ease some of the volume of calls related to this type of query. The system handles approximately 805 calls per month.



**CALL
FOR YOUR
ACCOUNT BALANCE!**

STEP 1:
Call our office 94WATER (949-2837) and press "2"
for account balance.

STEP 2:
Enter your full 11 or 12 digit number.

STEP 3:
Press "#".

GET YOUR ACCOUNT BALANCE!

GREAT PLAINS ACCOUNTING SYSTEM UPGRADE

The Information Systems Department coordinated the upgrade of the Authority's financial platform and the move of customer information and billing system to a cloud environment. A testing environment was developed in collaboration with the software provider and testing began in July 2022. There were no major issues identified, and the reports and functionality worked as expected. The system was updated in October 2022; the office was closed to the public to facilitate the upgrade. Customers were informed of the closure and notified that the customer web platform would not be accessible during the upgrade period.

TELEPHONE SYSTEM UPGRADE

Water Authority began the process to upgrade its Mitel telephone system. By the year's end, all the programming on the old system had been installed into the new system. The Authority's Information Systems department continues to work with its service provider to resolve issues

identified in testing, with the anticipated rollout in early 2023. The upgrade will allow for new features such as an integrated collaboration tool and softphones capabilities.

SCANNING SYSTEM UPGRADE

The SharePoint server was upgraded, and all technical glitches resolved. All of the scanned documents are available for viewing in Cogsdale.

The scanning system was upgraded to the latest release and all data migrated. The aim of the upgrade was to have an automated process with as little manual intervention as possible. The system works with greater flexibility and new features.

CUSTOMER PORTAL

Water Authority's Customer Service and Information Services departments are working together to develop a new customer portal. The new portal will provide more features than the current customer portal that will enable customers to have more control in managing their accounts. The Authority received and completed the initial setup survey in March. Testing is underway to ensure the new system meets the required deliverables.

RECOGNITION OF 20,000TH CUSTOMER

Water Authority recognised its 20,000th piped-water customer in 2022. Mr Elton Turner, a resident of George Town was presented with a \$200 Water Authority gift certificate in recognition of this milestone. Additionally, the Authority made a \$2,000 donation on Mr Turner's behalf to the Cayman Food Bank.

Cayman Food Bank, the charity selected by Mr Turner, is a hunger-relief organisation that strives to help feed the most vulnerable in our population.



(l-r) Gene Eden of Cayman Food Bank; Water Authority-Cayman Corporate Communications Officer Edlyn Ruiz Stoll and Mr Turner. Mr Turner and Mr Eden were presented with their gift certificate and donation by the Water Authority on 29 August 2022.

HURRICANE IAN

The Cayman Islands Government issued a Hurricane Alert for the Cayman Islands on 23 September for Hurricane Ian. Upon the alert, Water Authority activated its Hurricane Plan. The storm impacted the Cayman Islands between 24-25 September 2022 as a Tropical Storm (TS) and there was no major damage.

System assessments following TS Ian resulted in the identification of a damaged water main in the Rum Point area. As a result, water service was interrupted for customers west of the Sea Lodges at Cayman Kai, which is located on Rum Point Road.

Unfortunately, due to flooding in the area, repair works could not take place until the flooding had receded. Customers were encouraged to inspect their home for damaged pipes. Repair works began on the 27 September 2022.

A boil water notice was issued to all customers of the Rum Point area, as a precautionary measure. Notices were disturbed to customers via the Authority's own social media channels and through the media. The boil water notice was lifted on 28 September as extensive testing by the Authority's laboratory confirmed that the water was safe for customers to consume.



A high-speed photograph of water being poured, creating a dynamic splash with many bubbles and droplets. The water is a clear, vibrant blue, and the background is a soft, out-of-focus light blue.

Regulatory & Statutory

ONSITE WASTEWATER MANAGEMENT PROGRAMME

The Authority continued its work to raise education and operational maintenance within the Cayman Islands, continuing its Onsite Wastewater Management Programme (OWMP). Launched in 2017, the program continues to train local service providers. A total of 55 professionals have been certified through the programme, with seven of those being certified in 2022. The certification uses the modified Small Wastewater System training programme from Sacramento State University. As the development boom continues, the Authority continues to keep the pace to certify more individuals and has offered continuing education courses to keep those already certified up to date.

UPDATE OF SPECIFICATION FOR EFFLUENT DISPOSAL WELLS

In 2015 the Water Authority introduced the current specifications for effluent disposal wells. These specifications address well construction methods and, specifically, the grouting of wells. The Water Resources and Quality Control Department started a review of these specifications. As a result, the minimum diameter of the effluent well casing is prescribed and is based on the anticipated volume of treated effluent that the development generates.



Licences Issued

16

Well Drillers
Licence

8

Cesspool
Emptiers
Licence

1

Groundwater
Abstraction
Licence

Permits Issued

0

Canal Works
Permit

2

Quarry
Permit

0

Discharge
Permit



Our People

OUR PEOPLE

At the end of the fiscal period, the Authority had a staff complement of 140 persons across a total of six departments under the umbrella of the Executive Office: Engineering Services and Operations, Human Resources, Customer Service, Finance, Information Systems, and Water Resources & Quality Control. There are 125 employees based in Grand Cayman and 15 based in Cayman Brac.



COMMUNITY OUTREACH

GIVING BACK TO THE COMMUNITY

The Water Authority Board's Sponsorship Assessment Sub-Committee approved a total of \$52,587 in financial support for several local charities, non-profits, and community initiatives. Those organisations included Academy Football Club, the Alex Panton Foundation, Cayman National Cultural Foundation, and Lighthouse School.

In May, the Water Authority was recognised at the Miss Annie Huldah Bodden Animatronic unveiling at the Cayman Islands National Museum gallery, as the Authority sponsored the figure as part of its 35th Anniversary in 2018. The animatronic brought to life an iconic Caymanian woman and afforded the public the opportunity to learn more about Ms Annie Bodden's life story, achievements, and the role she played in the development of the Cayman Islands.



Another organisation supported was Jasmine, the selected charity for the Authority's Annual "Project Angel Tree". "Project Angel Tree" is an annual staff-driven holiday fundraising initiative. Staff donated \$1,178, which the Authority generously matched for a total donation of \$2,356.



EARTH DAY CLEAN UP

Once again, the Water Authority sponsored the Chamber of Commerce's island-wide Earth Day Clean-Up. 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 along Manse Road, collecting more than 12 bags of garbage and more than 1,000 bottle caps.



EDUCATIONAL OUTREACH AND ACHIEVEMENTS

ANNUAL SCHOLARSHIP

The Authority offers a scholarship of up to CI\$35,000 to a suitably qualified Caymanian to obtain an undergraduate academic or technical/vocational degree or diploma in a field of study relevant to the Water Authority's work. In 2022 students were able to apply for the scholarship and the Authority internship programme online. The new online platform provided students with a user-friendly and convenient way to submit their applications and helped to streamline the administrative process. The platform went live on 21 March 2022.

Later in the year, Levi Superville was announced as the 2022 recipient of the Authority's Annual scholarship. Mr Superville is studying Chemical Engineering at McMaster University in Canada, participating in the university's CO-OP programme, which provides an enhanced educational experience by alternating between academic study and work terms.



Levi joins current Water Authority scholarship recipients D'Vonte Joseph, a third-year Chemical Engineering student at the University of Leeds, and Alexander Elias a student of Applied Computer Science at Dalhousie University.

SUMMER INTERNSHIP PROGRAMME

The Authority was pleased to welcome a total of 14 students for its 2022 Summer Internship Programme. The programme enables students to gain hands-on experience working in a professional environment while introducing them to various careers available in the water and wastewater sector.

Representing a variety of educational backgrounds and career aspirations, the interns worked across the Authority's various departments, including Finance, Customer Service, Water Resources & Quality Control, Information Systems, Engineering Services and Operations. The Water Authority offers a Summer Intern position to all its scholarship students.

Other participants of the 2022 programme were Water Authority scholarship recipient D'Vonte Joseph, Daniella Johnson, Kayshena Powell, Lismely Lopez-Rivera, Kyan Dilbert, Damanie Allen, Deidre Edwards, Darren Hodgson, Renell Parchment, Terrisha Walker, Taijhan Watts, Arriela Downs, Hannah Robinson, and Isabel Samuels.



GEOLOGY EDUCATION WEEK

The Water Authority was pleased to welcome back renowned geologist Dr Brian Jones to the Cayman Islands to host Geology Education Week after a 4-year hiatus. The Authority has a long working relationship with Dr Brian Jones. He and his colleagues have conducted geological research in the Cayman Islands for about 40 years.

Dr Brian Jones, professor emeritus of geology at the University of Alberta, Canada, brought a wealth of knowledge and local experience to the Geology Week programme. The week-long series of events, which took place 24-28 October, included a lecture and field trip to local sites of geologic interest on Grand Cayman for teachers and professionals, as well as lessons to high school students at Cayman Prep and High School, Hope Academy and Layman Scott High School about plate tectonics, the rock cycle, and coral reefs and the geology of the Cayman Islands.

Cayman Life TV featured the professional development course for teachers in its Classroom of the Month series.



Dr Jones has authored a book on the Geology of Cayman Islands, which was published in November. The Authority has offered its support to organise and facilitate the book launch in the Cayman Islands.



SOCIAL COMMITTEE

The Authority's Social Committee fostered a spirit of community and fun through a series of events throughout 2022, including Ice Cream Day, Summer Bash, Burger Day, and World Cup Jersey Day.

The Social Committee also organised several charity dress-down days, donation drives and charity walk/run teams for local charities, including the Family Resource Centre, Lions Club of Tropical Gardens, and the Queen Elizabeth II Botanic Park.

A new leadership team was elected in June 2022, with Amory Smith elected as the new Chairperson, Hortencia Bent elected as the new Funds Manager, and Yasmin James elected as the new Secretary. The new leadership team hit the ground running by conducting a membership drive.

WATER AUTHORITY REPRESENTATION - LOCAL AND INTERNATIONAL HONOURING WOMEN MONTH

Water Authority Director, Dr Gelia Frederick-van Genderen, was a panellist at the "Women in Energy Conference" hosted by Caribbean Utilities Company Ltd (CUC) as part of Honouring Women Month. Representatives from CUC, the Ministry of Sustainability and Climate Resiliency, and DART were also on the Panel. Discussions focused on the importance of women's role in the science, technology, engineering, and mathematics (S.T.E.M.) fields. Customer Service Manager Joanna Welcome-Martinez, and Laboratory Manager Marcela Martinez-Ebanks, also attended the conference.



Former Lab Technologist Chynna Retumban represented the Water Authority at a “Women in S.T.E.M.” radio discussion celebrating Honouring Women Month, hosted by the Family Resource Centre. Also joining the discussion was Lauren Dombowsky from the Department of Environment and Namitha Abraham from C.U.C. Topics discussed include their early beginning, challenges and barriers and advice for the next generation of women pursuing a career in the S.T.E.M. field.

CWWA HLF-18

Water Authority Director, Dr Gelia Frederick van-Genderen represented the Cayman Islands at the Caribbean Water and Wastewater Association’s (CWWA) 18th High Level Forum (HLF-18) for ministers responsible for water. The forum brings together government ministers, developmental partners, donors, and water professionals to put into action the outcomes of the previous HLF and create a regional agenda on water management. Dr Frederick van-Genderen was asked to represent the Cayman Islands at the request of the Honourable Julianna O’Connor-Connolly, the Minister with responsibility for the Water Authority.

COGSDALE CONFERENCE

In October several Water Authority staff members, including the Chief Financial Officer, Customer Service Manager and Applications & Network Support Specialist travelled to the Cogsdale conference. The conference offered the opportunity to learn about the latest features and updates in the customer service software and learn how to maximise these for the Authority’s operations.

NORTH R.A.N. RUBY TOURNAMENT

Water Authority’s Water Resources Technologist Yasmin James represented the Cayman Islands as Cayman Rugby’s men and women’s teams participated in the Rugby Americas North R.A.N. Tournament. Water Authority was proud to sponsor Ms James’ participation in the tournament.



MOURNING HER LATE MAJESTY QUEEN ELIZABETH II

In September, the Water Authority joined the rest of the country and the world in mourning Her Late Majesty Queen Elizabeth II. On Thursday, 15 September, Water Authority staff members, joined by the Hon. Premier Wayne Panton honoured Her Late Majesty Queen Elizabeth II by laying wreaths and flowers on the steps of the Government Administration Building and signing the community condolence book.



ANNUAL STAFF MEETING

On 30 September, the Water Authority held its Annual Staff Meeting under the theme “Building Resilience as We Grow.” Participants enjoyed a captivating performance by Nasaria Suckoo Cholette, who used her poems to highlight the theme of resilience. Staff participated in a team building activity, where teams raced to assemble a meter connection correctly. The Authority’s Director, Dr Gelia Frederick-van Genderen, outlined major projects the Authority will focus on in the coming year to keep up with the islands’ development. The Honourable Juliana O’Connor-Connolly, Minister for Education, District Administration & Lands, and the Authority’s Board Chairman, Mr Darrel Rankine, joined staff for the afternoon, motivating staff with energising remarks.

Two members of the Board also attended the staff meeting; Mr Nickolas DaCosta (who served as MC) and Mr Mark Scotland.



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 2022, two staff members were honoured with the award – Laboratory Manager Marcela Martinez Ebanks and Accounts Officer Hortencia Bent.

Ms Martinez-Ebanks was nominated because of the pride and joy she displays in ensuring the Laboratory, and its staff, is operating to the best of its ability and maintaining its high standards to best serve the Authority and the Cayman Islands.

Ms Bent was nominated for her willingness to go above and beyond in her work ethic and performance. Over the year, she took on extra tasks and worked long hours to help fill gaps within the department. She also willingly passed her knowledge to her colleagues and is also looking for ways to improve the efficiency of her department.





Looking Ahead

LOOKING AHEAD:

In 2023 the Water Authority will celebrate its 40th Anniversary. A special planning committee was commissioned, with the Corporate Communications Officer and Senior Development Control Technologist serving as co-chairs. The year-long series of events will include a variety of celebratory occasions and projects to engage with the Authority's customers and the general public. The 40th Anniversary will focus on three core themes: community service, employee recognition and student education. A special anniversary logo was designed by the Authority's Assistant Laboratory Manager, Jerry D Banks. The theme of "WAC on Tap" was selected by Water Authority staff.



A dynamic, high-speed photograph of water splashing, creating a large, turbulent splash in the lower half of the frame. The water is a deep blue color, and the background is a light, hazy blue. The splash is composed of many small droplets and larger, more complex shapes, giving it a sense of movement and energy.

Financial Statements

**THE WATER AUTHORITY
OF THE CAYMAN ISLANDS
FINANCIAL STATEMENTS
31 December 2022**

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Water Authority of the Cayman Islands
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
31 December 2022

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 Chief Finance Officer, 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 Chief Finance Officer, 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 loss, statement of changes in shareholder's equity, and statement of cash flows as at and for the year ended 31 December 2022.

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 2022;
- (b) fairly reflect the financial position as at 31 December 2022 and comprehensive loss as at and for the year ended 31 December 2022; 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. Darrel Rankine

Chairman
Water Authority of the Cayman Islands



Ms. Lori Bergman

Chief Finance Officer
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 2022, 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 2022 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 19 October 2022, 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.

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

9 June 2023



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Sue Winspear
Auditor General

9 June 2023



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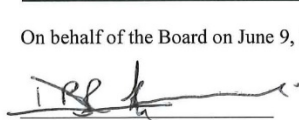
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Water Authority of the Cayman Islands
Statement of Financial Position
As at 31 December 2022
(Stated in Cayman Islands dollars)

	Note	31 December 2022	31 December 2021
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	64,096,496	61,770,815
Total non-current assets		64,096,496	61,770,815
<i>Current assets</i>			
Cash and cash equivalents		9,785,385	13,046,776
Fixed deposits		46,411,404	40,066,087
Accounts receivable, net	3	4,359,648	3,684,193
Unbilled revenue	10	1,909,388	1,690,593
Inventory, net	4	219,799	164,835
Prepaid expenses		347,980	305,814
Total current assets		63,033,604	58,958,298
Total assets		127,130,100	120,729,113
Liabilities and shareholder's equity			
Liabilities			
<i>Non-current liabilities</i>			
Lease liability	12	63,516	72,411
Employee pension benefits, net	9(a)	1,865,000	2,561,000
Pension employee healthcare benefits, net	9(c)	6,101,000	6,790,000
Non-pension employee healthcare benefits, net – Aetna	9(d)	-	46,173,000
Non-pension employee healthcare benefits, net – Cinico	9(d)	43,700,000	-
Total non-current liabilities		51,729,516	55,596,411
<i>Current liabilities</i>			
Lease Liability		8,510	8,124
Accounts payable		2,068,315	2,125,363
Contract retention payable		135,397	1,547
Customer deposits		1,739,869	1,689,739
Total current liabilities		3,952,091	3,824,773
Total liabilities		55,681,607	59,421,184
Shareholder's equity			
Contributed capital	7	682,000	486,000
Retained earnings		70,766,493	60,821,929
Total shareholder's equity		71,448,493	61,307,929
Total liabilities and shareholder's equity		127,130,100	120,729,113

On behalf of the Board on June 9, 2023



Chairman



Director



Chief Finance Officer

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

Water Authority of the Cayman Islands
Statement of Comprehensive Income/Loss
For the Year Ended 31 December 2022
(Stated in Cayman Islands dollars)

	Note	31 December 2022	31 December 2021
	10		
Operating revenue			
Water sales		31,199,401	28,686,504
Sewerage fees		5,487,843	5,170,757
Sceptage disposal		309,214	220,598
Agency work		127,873	64,946
Connection and miscellaneous fees		27,140	30,150
Total operating revenue		37,151,471	34,172,955
Operating expenses			
Water purchases and production		8,455,229	6,686,668
Depreciation expense	5	3,514,229	3,620,167
Salaries		3,557,756	3,609,846
Repairs and maintenance		3,533,547	2,425,624
Wages		1,797,144	1,850,643
Electricity		1,346,765	1,043,815
Supplies		1,782,665	1,396,514
Miscellaneous		499,764	386,010
Impairment of property, plant and equipment	5	79,946	11,825
Total operating expenses		24,567,045	21,031,112
Finance costs			
Land lease interest expense		3,825	4,211
Gross operating profit		12,580,601	13,137,632
Other income			
Royalties		1,766,445	1,747,819
Other		187,436	141,524
Statutory licencing fees		8,715	41,308
Interest income		346,479	157,039
Total other income		2,309,075	2,087,690
Operating profit		14,889,676	15,225,322

(continued)

Water Authority of the Cayman Islands
Statement of Comprehensive Income/Loss (continued)
For the Year Ended 31 December 2022
(Stated in Cayman Islands dollars)

	Note	31 December 2022	31 December 2021
Administration expenses			
Salaries	8	2,625,379	2,523,872
Staff training and benefits		2,662,839	2,603,476
Non-pension employee healthcare benefits cost – Aetna	9(d)	-	33,500,000
Non-pension employee healthcare benefit costs – Cinco	9(d)	3,990,000-	-
Insurance		1,035,969	857,743
Telephone and utilities		497,896	459,013
Miscellaneous		460,562	397,000
Information systems		520,703	455,205
Pension employee healthcare benefits cost	9(c)	268,000	375,000
Legal and professional fees		247,259	310,071
Depreciation expense	5	113,014	123,747
Repairs and maintenance		147,366	188,049
Licenses and dues		132,420	98,232
Office and lab supplies		47,661	33,839
Office rental		4,320	4,320
Defined benefit pension cost	9(a)	(16,000)	(47,000)
Bad debt expense		57,724	574,200
Total administration expenses		12795,112	42,456,767
Net profit/(loss) for the year		2,094,564	(27,231,445)
Other comprehensive income/(loss)			
Remeasurements of non-pension employee healthcare plan – Aetna	9(d)	-	11,692,000
Remeasurement of non-pension employee healthcare plan – CINICO	9(d)	8,743,000	-
Change in accounting estimate to recognized Cinico level benefits for Non-Defined Benefit Pension employees	9(d)	(2,280,000)	-
Remeasurements of pension employee healthcare plan	9(c)	957,000	837,000
Remeasurements of defined benefit pension plan	9(a)	680,000	531,000
		8,100,000	13,060,000
Comprehensive income/(loss) for the year		10,194,564	(14,171,445)

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 2022
(Stated in Cayman Islands dollars)

	Note	31 December 2022	31 December 2021
Contributed capital			
Balance at beginning of year		486,000	236,000
Contribution from Government		196,000	250,000
Balance at end of year	7	682,000	486,000
Retained Earnings			
Balance at beginning of year		60,821,929	75,243,374
Net income/(loss) for the year		2,094,564	(27,231,445)
Other comprehensive income/(loss) for the year		8,100,000	13,060,000
Contribution to Government	8	(250,000)	(250,000)
Balance at end of year		70,766,493	60,821,929
Total shareholder's equity		71,448,493	61,307,929

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 2022
(Stated in Cayman Islands dollars)

	Note	31 December 2022	31 December 2021
Cash flows from operating activities			
Net income/(loss) for the year		2,094,564	(27,231,445)
Adjustments to reconcile net income for the year to net cash generated by operating activities:			
Depreciation expense	5	3,627,243	3,743,915
Impairment of property, plant and equipment	5	79,946	11,825
Add/(deduct) net changes in non-cash operating balances:			
Accounts receivable, net		(675,455)	223,705
Unbilled revenue		(218,795)	(291,864)
Inventory, net		(54,964)	58,819
Prepaid expenses		(42,166)	(71,802)
Accounts payable		(57,048)	(264,836)
Contract retention payable		133,850	(55,047)
Customer deposits		50,130	79,707
Employee pension benefits, net		(16,000)	(47,000)
Pension employee healthcare benefits, net		268,000	375,000
Non-pension employee healthcare benefits, net		3,990,000	33,500,000
Net cash generated by operating activities		9,179,305	10,030,977
Cash flows from investing activities			
Property, plant and equipment purchased	5	(7,171,194)	(3,669,441)
Property, plant and equipment disposed		1,138,324	884,396
Purchase of fixed deposits		(6,345,317)	(10,155,631)
Net cash used in investing activities		(12,378,187)	(12,940,676)
Cash flows from financing activities			
Payment of lease liabilities		(8,509)	(8,124)
Contribution to Government	8	(250,000)	(250,000)
Contributed capital		196,000	250,000
Net cash used in financing activities		(62,509)	(8,124)
Net decrease in cash and cash equivalents during year		(3,261,391)	(2,917,823)
Cash and cash equivalents at beginning of year		13,046,776	15,964,599
Cash and cash equivalents at end of year		9,785,385	13,046,776

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 2022

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 2022, the Water Authority had 140 employees (31 December 2021: 145 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”).

The financial statements were authorised for issue by the Company’s Board of Members on June 9, 2023

(b) Basis of preparation

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

(c) Functional and presentation currency

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

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

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/loss.

(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/loss 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/loss 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/loss.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

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 and unbilled revenue (contract asset) 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, plant and equipment is depreciated and amortised on a straight-line basis, taking into account the expected useful lives of the assets and residual values. The assets' depreciation methods, useful lives and residual values are reviewed at each statement of financial position date and adjusted where appropriate. 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 2022

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 loss 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, unbilled revenue (contract assets) 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 2022

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. Financial liabilities measured at amortised cost includes accounts payable, contract retention payable, customer deposits and lease liabilities. These financial liabilities are classified as current if payment/extinguishment 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 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 periods, 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 2022

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 income/(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 loss.

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/(loss) in the periods during which services are rendered by employees.

(p) New and Revised Accounting Standards and Interpretations Not Yet Adopted

The following new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2022 and have not been applied in preparing these financial statements. The Authority does not anticipate that the application of any of the amendments mentioned above will have a material effect on the financial statements.

- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

3. Accounts receivable, net

Lifetime expected credit losses have been calculated using sales invoices billed between 1 January 2022 and 31 December 2022 and the actual cash collection dates of these invoices to determine a historical collection profile by aging category.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Trade Receivables	5,092,776	4,331,005
Other Receivables	440,437	469,029
Allowance for Doubtful Accounts	(1,173,565)	(1,115,841)
	<u>4,359,648</u>	<u>3,684,193</u>

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows.

	<u>2022</u>	<u>2021</u>
Balance at 1 January	(1,115,841)	(541,750)
Increase in provision/bad debt expense	(57,724)	(574,091)
Balance at 31 December	<u>(1,173,565)</u>	<u>(1,115,841)</u>

4. Inventory, net

	<u>31 December 2022</u>	<u>31 December 2021</u>
Consumables	158,642	63,011
Water Inventory	77,018	64,662
Provision for Obsolete Inventory	(15,861)	(15,861)
	<u>219,799</u>	<u>111,812</u>

5. Property, plant and equipment

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
1. Grand Cayman – North Side Water Works Site – New Storage Tanks - C	3,214,505	-
2. Grand Cayman – WBSS – Pipeline Install	980,032	809,947
3. Cayman Brac – Site Preparation	546,287	546,287
Cayman Brac – Distribution Extension	400,851	100,000
4. Grand Cayman – Linford Pierson	243,203	207,164
Grand Cayman – Red Gate RO Plant	57,055	-
6. Little Cayman – Site Development	2,603	2,603
	<u>5,444,536</u>	<u>1,666,001</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 2022

5. Property, plant and equipment (continued)

	31 December 2022								
	Freehold Land	Buildings	Water Supply	Sewage	Other Assets	Construction in Progress	Right-of Use Assets	Spare Parts	Total
Cost									
Balance at beginning of year	3,805,599	5,650,711	78,734,261	31,002,290	9,468,714	1,666,001	103,818	1,640,171	132,071,565
Additions	196,000	-	-	-	215,646	5,011,307	-	1,748,241	7,171,194
Impairment	-	-	(156,611)	-	-	-	-	-	(156,611)
Disposals	-	-	-	-	-	-	-	(1,138,324)	(1,138,324)
Transfers between fixed assets	-	-	1,232,771	-	-	(1,232,771)	-	-	-
Balance at end of year	4,001,599	5,650,711	79,810,421	31,002,290	9,684,360	5,444,537	103,818	2,250,088	137,947,824
CIS									
Accumulated Depreciation									
Balance at beginning of year	-	1,943,170	41,983,908	18,281,494	8,063,864	-	28,314	-	70,300,750
Depreciation expense	-	113,014	2,595,171	555,207	354,413	-	9,438	-	3,627,243
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	(76,665)	-	-	-	-	-	(76,665)
Balance at end of year	-	2,056,184	44,502,414	18,836,701	8,418,277	-	37,752	-	73,851,328
CIS									
Net Book Value at 31 December 2022									
CIS	4,001,599	3,594,527	35,308,007	12,165,589	1,266,083	5,444,537	66,066	2,250,088	64,096,496

During the year ended 31 December 2022, the Water Authority identified projects to be upgraded which resulted in a net impairment loss of the original assets of C\$79,945 (December 2021: C\$11,825) that was recorded against plant and equipment assets in the water supply and sewage categories. The total cost of the refurbishments and replacement was C\$279,579 (31 December 2021: C\$72,653).

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

5. Property, plant and equipment (continued)

	31 December 2021								
	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	77,308,165	30,500,142	9,629,741	1,711,398	103,818	1,180,160	129,639,734
Additions	250,000	-	-	-	111,282	1,963,752	-	1,344,407	3,669,441
Impairment	-	-	(32,848)	-	-	-	-	-	(32,848)
Disposals	-	-	-	(48,057)	(272,309)	-	-	(884,396)	(1,204,762)
Transfers between fixed assets	-	-	1,458,944	550,205	-	(2,009,149)	-	-	-
Balance at end of year CIS	3,805,599	5,650,711	78,734,261	31,002,290	9,468,714	1,666,001	103,818	1,640,171	132,071,565
Accumulated Depreciation									
Balance at beginning of year	-	1,830,156	39,386,342	17,742,123	7,920,727	-	18,876	-	66,898,224
Depreciation expense	-	113,014	2,618,589	587,428	415,446	-	9,438	-	3,743,915
Disposals	-	-	-	(48,057)	(272,309)	-	-	-	(320,366)
Impairment	-	-	(21,023)	-	-	-	-	-	(21,023)
Balance at end of year CIS	-	1,943,170	41,983,908	18,281,494	8,063,864	-	28,314	-	70,300,750
Net Book Value at 31 December 2021 CIS	3,805,599	3,707,541	36,750,353	12,720,796	1,404,850	1,666,001	75,504	1,640,171	61,770,815

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

6. Overdraft Facility

The Water Authority has an overdraft facility at 4.25% interest per annum with First Caribbean International Bank in the amount of C\$416,000 (31 December 2021: C\$416,000). At 31 December 2022, C\$NIL (31 December 2021: C\$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 C\$236,000, which has been recorded as contributed capital in the statement of financial position.

The Government provided 2.00 acres of land on Grand Cayman to the Water Authority of the Cayman Islands on 22 June 2021 at no cost. The fair market value at the time of transfer was C\$250,000, which has been recorded as contributed capital in the statement of financial position.

The Government provided 3.75 acres of land on Little Cayman East to the Water Authority of the Cayman Islands on 14 March 2022 at no cost. The fair market value at the time of transfer was C\$196,000, 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 C\$20,675 (31 December 2021: C\$16,538) relating to their services rendered during the year ended 31 December 2022. These balances are presented in Miscellaneous expenses. 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 C\$250,000 (31 December 2021: C\$250,000).
2. The remuneration of directors and other members of key management personnel for the year ended 31 December 2022 was C\$1,139,610 (31 December 2021: C\$1,176,439). This amount entirely pertains to short-term employee benefits, namely salary, medical insurance and pension contributions. Included in this figure is pension contributions of C\$85,562 (31 December 2021: C\$52,149). No loans were issued to key management personnel during the year (31 December 2021: C\$Nil). There were 7 personnel categorised in 2022 broken down as 6 key management personnel and 1 Director (31 December 2021: 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 Water'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.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

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 2021: 3). 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.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

The Authority expects to pay CI\$137,000 in contributions to the Plan in 2023.

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 March 2023 using data as at 31 December 2022. 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 2022.

The actuarial position is as follows:

	31 December 2022	31 December 2021
	CI\$000's	CI\$000's
Defined benefit obligation	(3,429)	(4,284)
Fair value of plan assets	1,564	1,723
Net liability at end of year	<u>(1,865)</u>	<u>(2,561)</u>

The present value of the funded obligation changes as follows:

	31 December 2022	31 December 2021
	CI\$000's	CI\$000's
Defined benefit obligation at beginning of year	4,284	4,538
Current service cost	55	59
Interest expense	121	100
Plan participant contributions	13	12
Benefit payments from plan assets	-	(52)
Transfer between other participating employers	-	-
Remeasurements	(1,044)	(373)
Defined benefit obligation at end of year	<u>3,429</u>	<u>4,284</u>

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

	31 December 2022	31 December 2021
	CI\$000's	CI\$000's
Fair value of plan at beginning of year	1,723	1,399
Interest income	47	32
Employer contributions	145	174
Plan participant contributions	13	12
Benefit payment from plan assets	-	(52)
Transfer between other participating employers	-	-
Adjustment of prior years' cash flows allocations	-	-
Remeasurements	(364)	158
Fair value of plan at end of year	<u>1,564</u>	<u>1,723</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

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

	31 December 2022	31 December 2021
	CIS000's	CIS000's
Current service cost, net of employee contributions	55	59
Net interest cost	74	68
Total defined benefit cost	129	127
Employer contributions recognised in administrative expenses	(145)	(174)
Adjustment of prior years' cash flow allocations	-	-
Net defined benefit cost	(16)	(47)

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

	31 December 2022	31 December 2021
	CIS000's	CIS000's
Effect of changes in demographic assumptions	1	9
Effect of changes in financial assumptions	(1,336)	(244)
Effect of experience adjustments	291	(138)
Return on plan assets (excluding interest income)	364	(158)
Remeasurements	(680)	(531)

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

	31 December 2022	31 December 2021
Equity securities	81%	82%
Debt securities	18%	17%
Cash	1%	1%

The principal actuarial assumptions at the date of valuation:

A. Cost method - Projected Unit Credit

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

	31 December 2022	31 December 2021
Discount rate	5.40%	2.90%
Salary increase	5.00%	2.50%
Price inflation rate	4.00%	2.00%
Future pension increases	4.00%	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 2022

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 2022 and 31 December 2021 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2022			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.8%	Increase by 3.7%
Inflation rate	0.25%	Increase by 3.7%	Decrease by 3.5%
Mortality	10%	Decrease by 1.95%	Increase by 1.78%

Impact on defined benefit obligation 2021			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.4%	Increase by 4.7%
Inflation rate	0.25%	Increase by 4.1%	Decrease by 3.9%
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 2021: 5% and 5%), respectively of salary contributions to the defined pension contribution plan. The total employees enrolled in the defined pension contribution plan is 137 (31 December 2021: 139).

The total amount recognised as employer contributions for the year ended 31 December 2022 was C\$407,595 (31 December 2021: C\$411,675) 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 2022

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 2021: 10), 6 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 2022 was C\$142,065 (31 December 2021: C\$175,464). This amount is included in administrative expenses (staff training and benefits). The Authority expects to pay C\$137,000 in contributions to the Plan in 2023.

The most recent actuarial valuation for IAS 19 reporting was conducted in March 2023 using data as at 31 December 2022. 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 2022.

The actuarial position is as follows:

	31 December 2022	31 December 2021
	CIS000's	CIS000's
Pension employee healthcare benefits obligation	(6,101)	(6,790)
Fair value of plan assets	-	-
Net liability at end of year	<u>(6,101)</u>	<u>(6,790)</u>

The present value of the funded obligation changes as follows:

	31 December 2022	31 December 2021
	CIS000's	CIS000's
Pension employee healthcare benefits at beginning of year	6,790	7,252
Current service cost	78	202
Interest expense	190	173
Remeasurements	(957)	(837)
Pension employee healthcare benefits at end of year	<u>6,101</u>	<u>6,790</u>

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

	31 December 2022	31 December 2021
	CIS000's	CIS000's
Current service cost, net of employee contributions	78	202
Net interest cost	190	173
Total pension employee healthcare benefits	<u>268</u>	<u>375</u>
Net pension employee healthcare benefits cost	<u>268</u>	<u>375</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

9. Employee Benefits (continued)

c) Pension Employee Defined Benefit Healthcare Plan (continued)

The remeasurements included in other comprehensive loss are as follows:

	31 December 2022	31 December 2021
	CIS000's	CIS000's
Effect of changes in demographic assumptions	1,769	16
Effect of changes in financial assumptions	(2,007)	(775)
Effect of experience adjustments	(719)	(78)
Remeasurements	<u>(957)</u>	<u>(837)</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 2022	31 December 2021
Discount rate for obligation	5.35%	2.95%
Discount rate for costs	2.95%	2.75%
Medical inflation rate	5.28%	5.33%

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 2022 and 31 December 2021 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2022			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.0%	Increase by 3.8%
Healthcare cost trend rate	1%	Increase by 16.9%	Decrease by 13.7%
Mortality	10%	Decrease by 4.5%	Not applicable

Impact on defined benefit obligation 2021			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 4.3%	Increase by 4.6%
Healthcare cost trend rate	1%	Increase by 20.3%	Decrease by 16.0%
Mortality	10%	Decrease by 4.6%	Not applicable

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

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 130 (31 December 2021: 132)

The most recent actuarial valuation for IAS 19 reporting was conducted in March 2023 using data as at 31 December 2022. 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 2022. For the year ended 31 December 2022 the Authority recorded the liability for the Cinico plan, at 31 December 2021 the Authority recorded the liability associated with the Aetna Plan.

The Authority expects to pay CI\$387,000 in contributions to the Plan in 2023.

The actuarial position is as follows:

	31 December 2022	31 December 2021
	CI\$000's	CI\$000's
Non-pension employee healthcare benefits obligation	(43,700)	(46,173)
Fair value of plan assets	-	-
Net liability in financial position at end of year	<u>(43,700)</u>	<u>(46,173)</u>

The present value of the funded obligation changes as follows:

	31 December 2022	31 December 2021
	CI\$000's	CI\$000's
Non-pension employee healthcare benefits obligation at beginning of year	46,173	24,365
Past service cost	-	30,794
Current service cost, net of employee contributions	2,688	2,171
Employer direct benefit payments	(65)	(49)
Interest expense	1,367	584
Remeasurements	(8,743)	(11,692)
Change in accounting estimate	(2,280)	-
Non-pension employee healthcare benefits at end of year	<u>43,700</u>	<u>46,173</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2022

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 2022 CIS000's	31 December 2021 CIS000's
Past service cost	-	30,794
Current service cost, net of employee contributions	2,688	2,171
Net interest cost	1,367	584
Total non-pension employee healthcare benefits cost	4,055	33,549
Employer direct benefit payments	(65)	(49)
Net non-pension employee healthcare benefits cost	3,990	33,500

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

	31 December 2022 CIS000's	31 December 2021 CIS000's
Effect of changes in demographic assumptions	11,501	(6,623)
Effect of changes in financial assumptions	(20,873)	(4,695)
Effect of experience adjustments	629	(374)
Remeasurements	(8,743)	(11,692)

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 2022	31 December 2021
Discount rate for obligation	5.35%	2.95%
Discount rate for costs	2.95%	2.75%
Medical inflation rate	5.37%	5.33%

C. Other assumptions –

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

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

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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 2022 and 31 December 2021 to changes in the weighted principal assumptions is:

Impact on defined benefit obligation 2022			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 5.4%	Increase by 5.0%
Healthcare cost trend rate	1%	Increase by 23.2%	Decrease by 18.0%
Mortality	10%	Decrease by 4.2%	Not applicable

Impact on defined benefit obligation 2021			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 5.9%	Increase by 6.4%
Healthcare cost trend rate	1%	Increase by 27.4%	Decrease by 20.5%
Mortality	10%	Decrease by 4.1%	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 2022	31 December 2021	Type of contract	Timing of transfer
Water Sales	CIS	31,199,401	28,686,504	Fixed fee	Point in time
Sewerage fees		5,487,843	5,170,757	Fixed fee	Point in time
Septage disposal		309,214	220,598	Fixed fee	Point in time
Connection and miscellaneous fees		27,140	30,150	Fixed fee	Point in time
Agency work		127,873	64,946	Fixed fee	Point in time
Total	CIS	37,151,471	34,172,955		

(i) Contract balances

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

		31 December 2022	31 December 2021
Contract assets:			
Unbilled revenue	CIS	1,909,388	1,690,593

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 2022	31 December 2021
Unbilled revenue at the beginning of the year	CIS	1,690,593	1,398,729
Transfers from unbilled revenue recognised at the beginning of the year to receivables		(1,690,593)	(1,398,729)
Increases as a result of services performed but not yet billed		1,909,388	1,690,593
Unbilled revenue at the end of the year	CIS	1,909,388	1,690,593

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11. Financial Instruments

(i) Impairment of financial assets

Instruments within the scope of IFRS 9 include accounts receivable, unbilled revenue (contract assets) and fixed deposits which are assessed for impairment. Any impairment impact recognised during the year is recorded in the statement of comprehensive income/loss. 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 income/loss is not material. In assessing impairment relating to accounts receivable, unbilled revenue (contract assets) 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 Liability

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 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 2022</u>	<u>31 December 2021</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	24,670	37,005
Total undiscounted lease liabilities at 31 December	<u>86,345</u>	<u>98,680</u>
Lease liabilities included in the statement of financial position at 31 December	<u>72,026</u>	<u>80,535</u>
Current	8,510	8,124
Non-current	63,516	72,411

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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, unbilled revenue (contract assets), cash and cash equivalents 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 C\$1,739,869 (31 December 2021: C\$1,689,739).

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 2022</u>	<u>31 December 2021</u>
Cash and Cash equivalent	9,785,385	13,046,776
Trade Receivables	5,092,776	4,331,005
Unbilled revenue	1,909,388	1,690,593
Other Receivables	440,437	469,029
Fixed deposits	46,411,404	40,066,087
	<u>C\$ 63,639,390</u>	<u>59,603,490</u>

The expected loss rates are based on the collection profile for revenue generated over the past 12 months before 31 December 2022 and 1 January 2022 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 2022, an allowance for doubtful receivables of CI\$1,173,565 has been made against accounts receivable (31 December 2021: CI\$1,115,841). The aging of trade and other receivables at 31 December 2022 is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Current	2,349,346	1,735,684
Between 30 days and 60 days	845,240	875,972
Between 60 days and 90 days	377,250	277,493
Greater than 90 days	1,961,377	1,910,885
	<u>CI\$ 5,533,213</u>	<u>CI\$ 4,800,034</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 2022 and 2021, 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. Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to June 9, 2023, 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 District Administration and Lands.

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