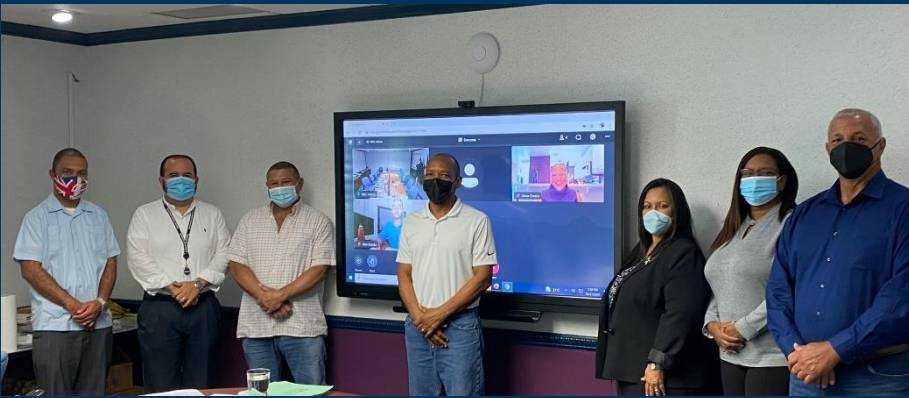


Water Authority-Cayman 2021 Annual Report



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CHAIRMAN'S MESSAGE

The Board of the Water Authority – Cayman is pleased to present the 2021 Annual Report.

This Annual Report outlines the performance of the Water Authority during the 2021 fiscal year and compares it to the planned performance documented in the Ownership Agreement for the Authority, or as amended through the supplementary appropriation process, and against prior year performance. The requirement for an Annual Report is prescribed under section 52 of the Public Management and Finance Act (2013 Revision) (PMFA).

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

While the world continues to deal with COVID-19, this year saw a transition from fighting the pandemic to learning to live with the illness. The Water Authority has taken strides and adopted policies to allow for continued operations while keeping the health and safety of staff and customers as the main priority.

The Authority also continues to shine as an example of good corporate citizenship in the local community. In addition to raising money for a different local charity each year through the annual Project Angel Tree, the staff of the Authority are also regular participants in charitable walk/runs and routinely host dress down day fundraisers.

I would like to sincerely thank all Water Authority Board Members, and on behalf of the Board, to thank each and every staff member of the Water Authority for their continued hard work and organisational commitment.

Mr Darrel Rankine
Board Chairman



DIRECTOR'S MESSAGE

As Director of the Water Authority, I am pleased to present the 2021 Annual Report on behalf of the Authority's management team and staff.

Following an incredibly challenging 2020, the Water Authority and the rest of the globe began to shift to a near reality of "Living with COVID". The rollout of COVID-19 vaccines and the introduction of Lateral Flow Tests served as critical tools to continue business operations in a safe environment. The Authority also created comprehensive policies that focused on staff continuity to ensure we could continue to provide our essential services.

This shift in strategy towards COVID-19 also allowed the Authority to get back to its strategic goal of capital development to ensure we have a robust and resilient network that can meet the needs of our growing and developing nation. We completed several infrastructure projects in 2021, including the upgrade of the water supply infrastructure on Anthony Drive and Palm Dale Avenue, installing new wastewater infrastructure along Peninsula Avenue, and our pipeline extension project in Cayman Brac has reached up to the Ashton Reid Drive intersection.

This year the Water Authority served as the host of the Caribbean Water and Wastewater Association's (CWWA) Virtual 30th Annual Conference. For close to a year, the Local Organising Committee did a lot of work to plan, produce and execute the conference, which was entirely virtual due to COVID travel restrictions. Caymanian culture was on full display throughout the conference programme and prominent in the logo, which a staff member designed.

Of the nineteen technical presentations given at the conference, six were from the Cayman Islands—five of those were Water Authority staff members. Two of the Water Authority's employees were awarded the CWWA's Gold Award, which honours water and wastewater industry stalwarts. We were also honoured to have the Premier, the Honourable Wayne Panton, the Honourable Julianna O'Connor-Connolly, the Minister responsible for the Water Authority, and the Honourable Sabrina Turner, Minister responsible for solid waste all take part in the conference.

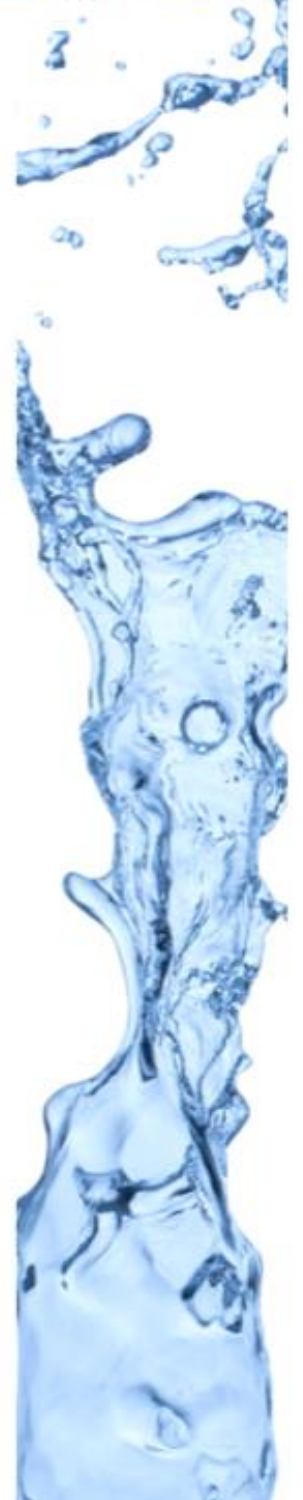
This year was also significant for our Water Authority scholars. Two of our scholarship recipients joined the Water Authority as full-time employees – Lisaida Swaby-Oliva and Kaled Giron. Ms Swaby-Oliva joined the Authority as HR Administrator in the HR Department. Mr Giron joined the Authority as an Applications & Network Support Specialist (Designate) in the Information Systems Department. Additionally, former scholarship recipient and Applications Support Manager (Designate) Kristina Hydes was named a "Proud of Them" recipient in 2021. We are very proud of all the achievements of our Water Authority scholars, including our current recipient, D 'Vonte Joseph, who is pursuing his degree in Chemical Engineering at the University of Leeds.

As public servants, we are proud to serve our community and honoured to provide essential services critical to the life, health, safety, and dignity of our people.

**Dr Gelia Frederick-van Genderen, Cert Hon
Water Authority Director**



GENERAL INFORMATION



MISSION STATEMENT

The Authority's mission is:

- To ensure that the entire population of the Cayman Islands has access to a pure, wholesome and affordable supply of potable water.
- To protect and develop groundwater resources for the benefit of present and future populations of these islands.
- To provide for the collection, treatment and disposal of wastewater in a manner that is safe, efficient and affordable.
- To operate in such a manner as to be financially self-sufficient while contributing to the economy of these islands and achieving a reasonable and acceptable return on capital investments.

GOVERNANCE

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

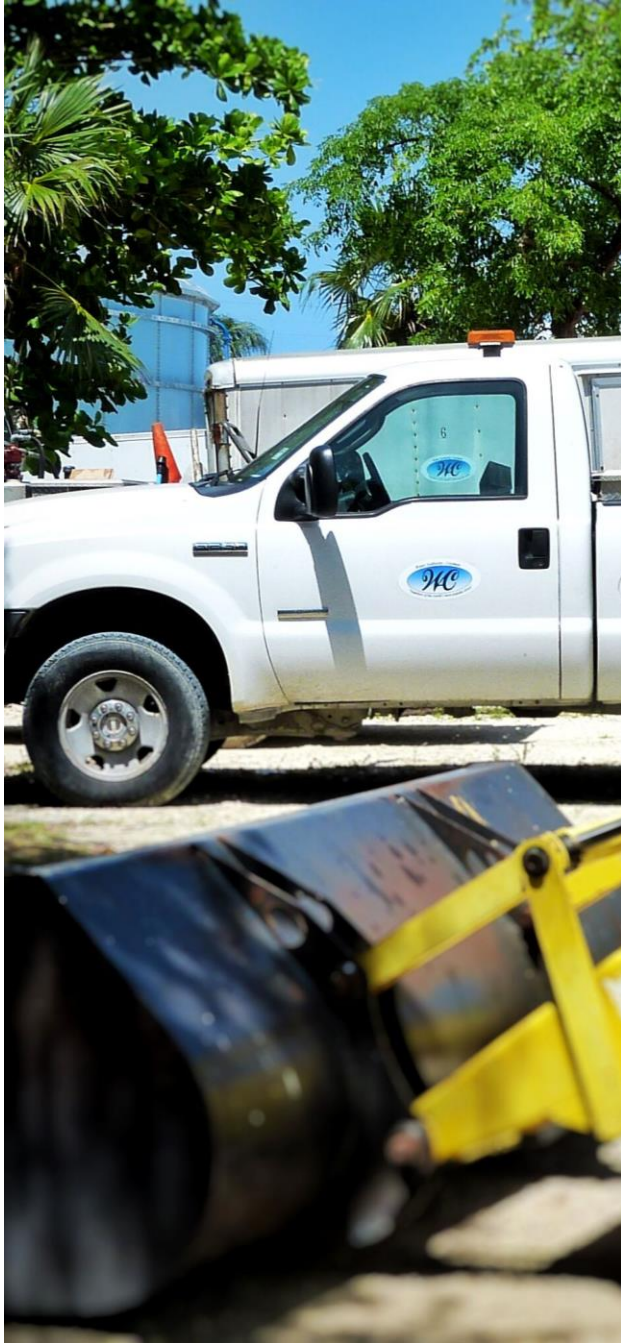
- As of 31 December 2021, the minister responsible for that portfolio is the Honourable Juliana O'Connor-Connolly, JP.
- The Authority's operations are governed by the Water Authority Act (2018 Revision), the Water Authority Regulations (2018 Revision).
- The Authority operates under the guidance of a Cabinet-appointed Board.
- The Utility Regulation and Competition Office (OfReg) is the regulator of the water and wastewater sector.
- The Public Authorities Act.
- The Procurement Act.



SCOPE OF ACTIVITIES

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

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



MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

2021 was a productive financial year as the Authority transitioned back to normal operations after the global challenges brought on by COVID -19 in previous fiscal periods.

The Authority prides itself on being 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 (2020 - \$250,000) to the Cayman Islands Government during the 2021 year.

FINANCIAL PERFORMANCE

Despite a 4% increase in water sales in 2021 the Authority showed a lower Operating Profit than 2020 which is attributed to the increase in utility and sewer repair projects in 2021. Water sales in 2021 were up 4% from 2020, which is attributed to the decreased fuel costs which flowed through to lower Energy Adjustment throughout the period.

RESULTS FROM OPERATIONS

Sales of potable water continue to be the main revenue source at 83.9% (2020 – 84.0%) with Sewerage Fees reporting 15.1% (2020 – 14.9%) and the remaining 1.0% (2020 – 1.1%) from Septage Disposal, Royalties and miscellaneous income.

The cash position of the Authority decreased from prior year as available funds were transferred to fixed deposits. The Authority showed an ending cash balance of \$13.0 million (2020 - \$15.9 million) and term deposits

held by the Cayman Islands Treasury of \$40.1 million (2020 - \$29.9 million). In 2021 \$157,000 (2020 \$336,006) was earned in deposit interest income with rates decreasing in 2021, varying between 0.20% and 0.53% depending on value and term.

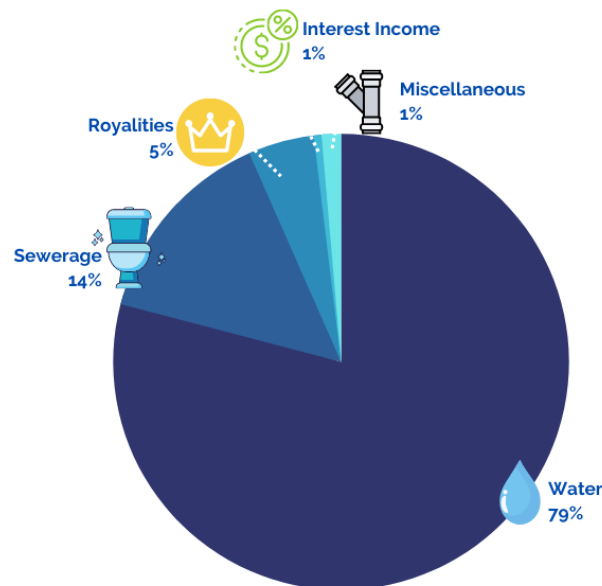
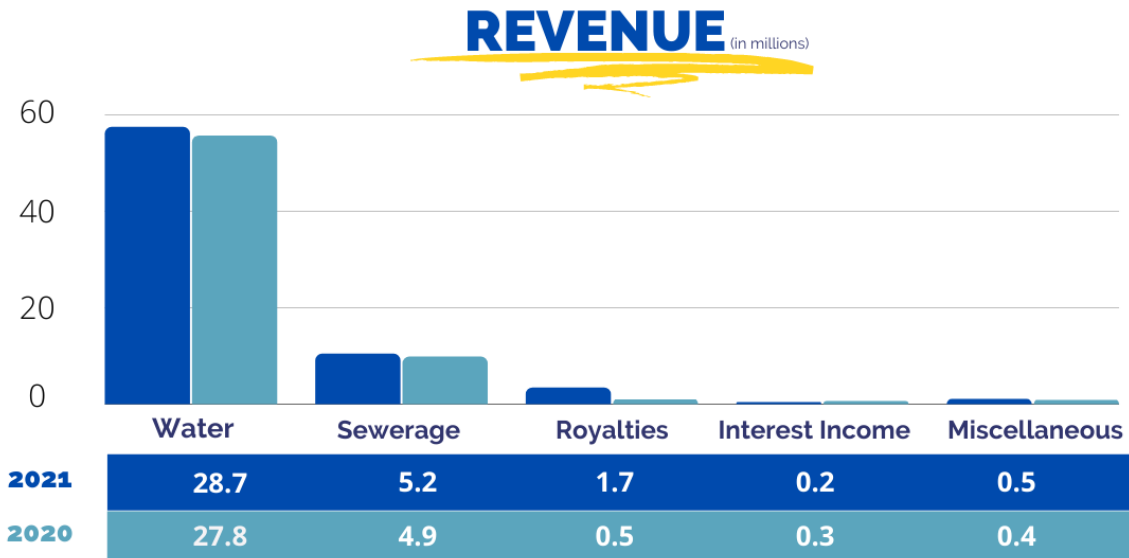
A key component of the Authority's finance department is to collect, allocate and protect the customer utility payments. During 2021 the Authority's customers continue to embrace electronic payments with 55% of transactions being paid online and 39% paying in person and 6% utilised either mail or the onsite drop box.

ACTUARY POSITIONS

Under the umbrella of the Public Service Pension Board the Authority undertook three Actuary reports for the year ending 31 December 2021. This reporting and inclusion in the financial statement is imperative to understand the long-term liabilities of the Authority. The non-pension employee healthcare benefits report estimated a liability at 90% above that of 2020, \$24.4 million in 2020 increased to \$46.2 million in 2021. The increase is attributed to the significant rise in premium rates and the change in providers from Generali to Aetna in 2021.

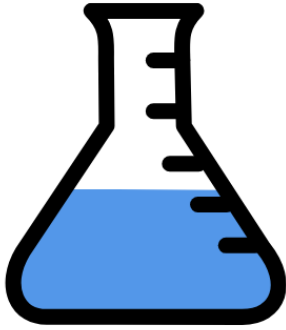
BUDGET POSITION

The 2020/2021 Ownership Agreements were published by the Cayman Islands Government and conservatively forecasted the 2021 net income at \$3.1 million, however the audited financial statements in the appendix clearly reflect that the Authority ended its financial year with a Net loss for the year of \$27.2 million and a comprehensive loss of \$14.2 million. The loss is a direct component of the non-pension employee healthcare benefits cost of \$33.5 million reflected in the Administrative expenses and is outside the control of the Authority in regards to financial performance.



2021 REVENUE BREAKDOWN

2021 at a Glance



13,333

Laboratory samples tested



839.95

Million Gallons Per Day (mgd)
wastewater treated



19,828

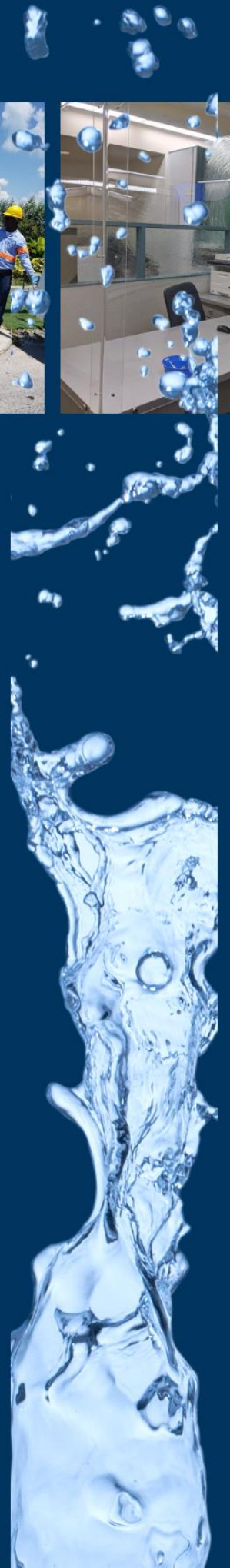
Service connections - Grand
Cayman

446

Service connections -
Cayman Brac



COVID-19 RESPONSE





Overview

The Cayman Islands began 2021 with community cases of COVID-19 at zero, a number it had maintained since July 2020 due to the continued closure of the borders and strict testing and quarantine rules for approved travellers.

The new year brought the vaccine's arrival and the vaccine programme beginning within the first week of January. The vaccine programme was expanded to include children 12 and over by June.

During this period, the Water Authority continued with measures to protect the health of staff and customers, including promoting appropriate hygiene practices and physical distancing. The Authority also took steps to ensure there was no contact between customers and the Authority's field workers to protect public health.

In Grand Cayman, notices were left in the meter box instead of a door hanger on the front door of a residence from a meter visit. In Cayman, Brac staff maintained social distance when making trucked water deliveries.

Changing Landscape

While The Cayman Islands maintained zero community transmission for some time, other nations began to grapple with the Delta variant around the globe. First identified in India in late 2020 and quickly spread to the United Kingdom, the United States, eventually becoming the dominant variant globally. It was first identified in the Cayman Islands in July 2021.

September 2021 saw the first case of local transmission since July 2020. This single case spread, and later outbreaks at schools were identified. In response, the Government brought back mask mandates and delayed Phase 4 of the reopening plan, eventually welcoming back tourists in late November 2021.

The first batch of lateral flow tests arrived in October, becoming an important tool in dealing with mass quarantines' impact on businesses and schools. In November, Cayman's third COVID-related death was recorded. Sadly, by the end of the year, the total number of COVID-related deaths was 11.

In mid-December, the first case of Omicron, a new variant, was reported. By the end of the year, 80% of the community was fully vaccinated, with just under a quarter of the population receiving a booster.

Water Authority Response

Maintaining Business Continuity

As an essential service, the Authority is committed to protecting our staff's health to ensure continuity of services. In response to the rise of community cases and the Government's transition to a "Living with COVID" strategy, the Authority implemented several safeguarding protocols. These included masks requirements for staff and customers, increasing staff COVID safety messages, implementing room restrictions to maintain social distancing, and having staff members work-from-home where possible.

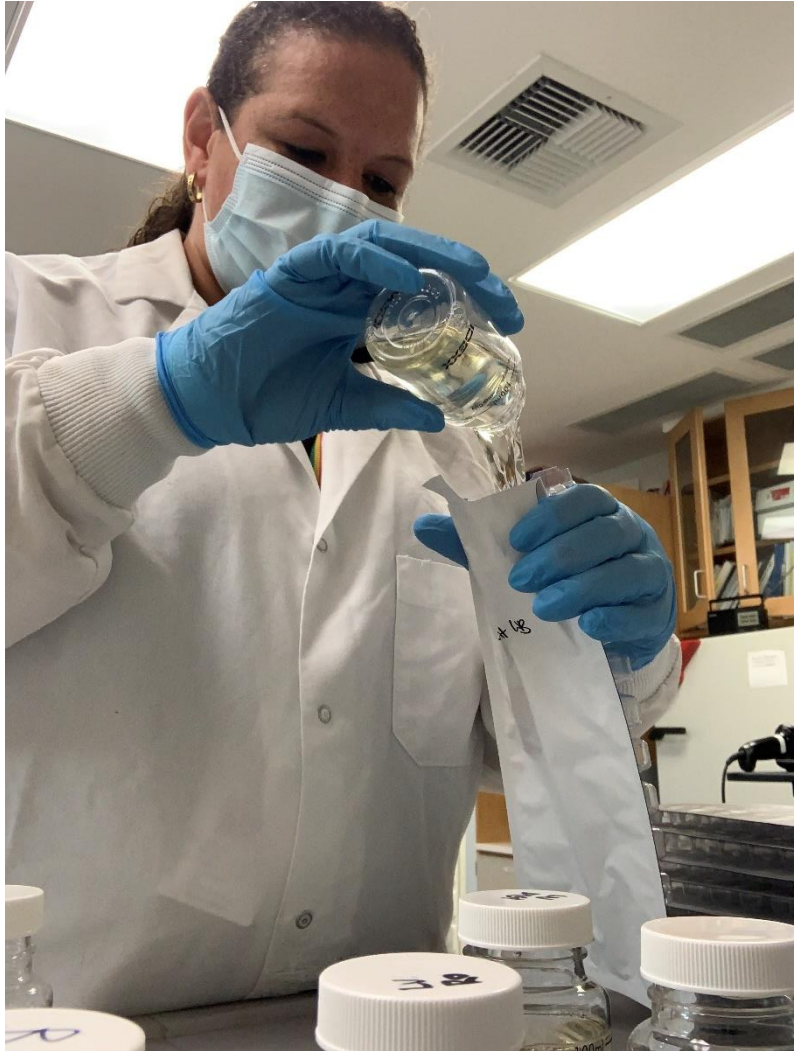
The Authority developed staff continuity plans, outlining protocols for dealing with positive cases and required isolations. The Authority also procured lateral flow tests and implemented weekly screening tests.

Supporting Customers

To support customers facing financial hardship due to isolation requirements, the Water Authority suspended disconnections in Grand Cayman and Cayman Brac for thirty days from mid-October to mid-November. This was to provide a grace period to all persons in isolation who may have challenges paying their bills to avoid disconnection. The Authority also increased messaging to remind and encourage customers to conduct business with the Authority electronically.

Sewage Charges Discount Policy

Recognising that many businesses had been affected by the pandemic, the Water Authority implemented a COVID-19 Sewage Discount Policy in April 2020 to support commercial wastewater customers along the West Bay Road corridor. The policy covered three months initially and was extended twice in, ultimately extending through the end of the year in 2020. The total value of the discounts granted in 2020 was \$161,989.91.



The discount policy continued into 2021 and was extended in three-month intervals until the end of September 2021. Commercial customers were able to submit their applications until 31st December 2021. The total value of the discounts granted in 2021 was \$103,981.41.

Month	Value
April 2020	\$20,115.17
May 2020	\$22,097.60
June 2020	\$14,020.05
July 2020	\$16,826.04
August 2020	\$16,991.61
September 2020	\$17,023.52
October 2020	\$18,929.74
November 2020	\$20,656.72
December 2020	\$15,329.46
2020 Total	\$161,989.91
January 2021	\$14,293.26
February 2021	\$14,386.43
March 2021	\$13,823.06
April 2021	\$10,500.86
May 2021	\$9,873.50
June 2021	\$10,385.30
July 2021	\$9,804.21
August 2021	\$10,795.64
September 2021	\$10,119.15
2021 Total	\$103,981.41

Overall Total

\$265,971.30

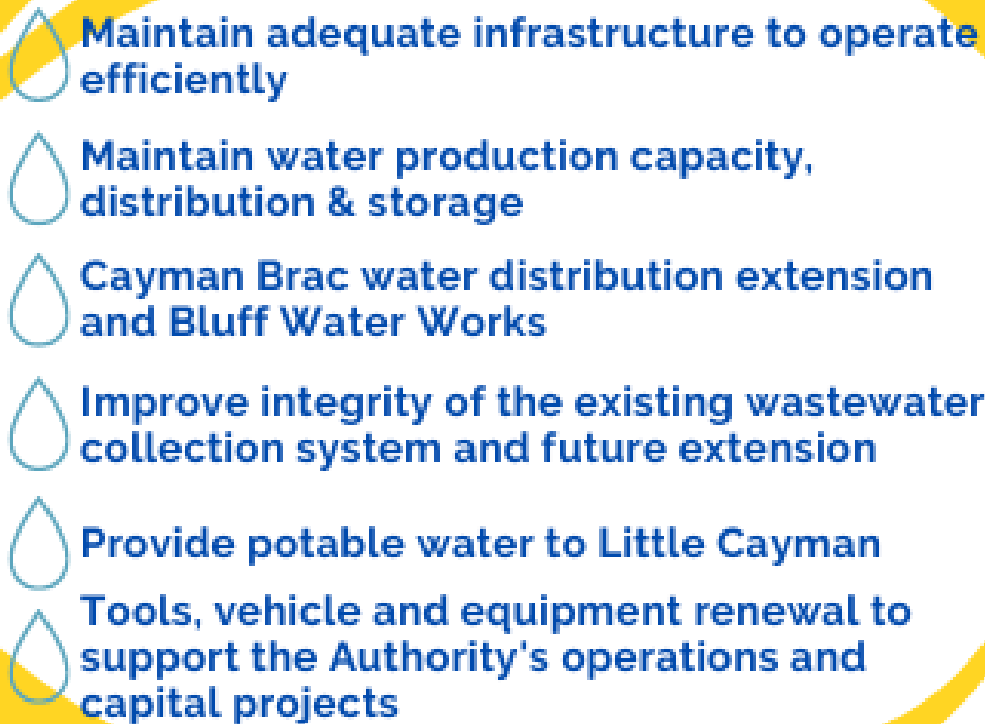








PRIORITIES & ACHIEVEMENTS



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.

- 
-  **Maintain adequate infrastructure to operate efficiently**
 -  **Maintain water production capacity, distribution & storage**
 -  **Cayman Brac water distribution extension and Bluff Water Works**
 -  **Improve integrity of the existing wastewater collection system and future extension**
 -  **Provide potable water to Little Cayman**
 -  **Tools, vehicle and equipment renewal to support the Authority's operations and capital projects**

GOAL 1: MAINTAIN ADEQUATE INFRASTRUCTURE TO OPERATE EFFICIENTLY

This year, the Authority completed several pipeline upgrades and extensions to maintain operational efficiency and accommodate future development; these works include:

- Infrastructure upgrade on Anthony Drive (between Smith Road and Andy Drive),
- Infrastructure upgrade on Dorcy Drive Infrastructure Upgrade (between Portland Road and the Owen Roberts Drive/Dorcy Drive Roundabout), and
- Infrastructure upgrade on Palm Dale Avenue (including Success Circle, Nevard Close and Damascus Close)



GOAL 2: MAINTAIN WATER PRODUCTION CAPACITY, DISTRIBUTION AND STORAGE

The Automatic Transfer Switch (ATS) for the North Side Pump House was replaced in the first quarter of the year. Before the replacement, power could only be manually transferred to the emergency generator, which could cause water pressure issues in the Eastern Districts in the event of a power failure. A public service announcement was issued to alert customers of the potential of low or no water pressure during the installation period.

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 start of the year saw 750 feet of pipeline installed along Coastal Way. More pipeline was also installed along Wellington Park Drive, Limestone Drive and Plover Crescent.

In October, infrastructure work took place along South Side Road West, which was necessary to rectify an anomaly with the existing water supply infrastructure in the area and ensure compliance with current Water Authority policy. There were no further plans to extend the water main along South Side West. Instead, after completing the works, the pipeline extension resumed along the island's north coast. The pipeline extension project has reached up to the Ashton Reid Drive (Bluff Road) intersection.

The total number of piped water customers increased from 377 in December 2020 to 446 at the end of December 2021, an increase of 18%.

Water Meters Requested

73

Active Pipe Water Accounts

446

New Water Service Requests

101

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

- New wastewater infrastructure was installed along Peninsula Avenue, between Cook, Quay and Lime Tree Bay,
- Sewerage repair works took place along Slate drive, and
- Sewerage rehabilitation works took place along Whitehall Gardens.

OTHER ACHIEVEMENTS:

Caribbean Water and Wastewater Association Virtual 30th Conference and Exhibition



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



JD Banks. It featured a turtle to represent the Cayman Islands. Its colour palette was pulled from colours associated with the various industries represented by CWWA (blue for water, grey for wastewater, and green for solid waste). It was unveiled during the 2020 CWWA Virtual Conference's closing ceremony.

At the beginning of the year, it was anticipated that the conference would be held in person; however, COVID travel restrictions made it necessary to switch to an entirely virtual conference. In the following months, the Local Organising Committee did a lot of work to organise and manage the production of the conference, including creating communication plans, managing online conference registrations, developing engaging sessions, securing sponsors and exhibitors and producing videos.

The Caribbean Water and Wastewater Association (CWWA) is a non-governmental organisation established to bring together the water and sanitation community in the Caribbean towards the protection of public health and the promotion of sustainable development.

Water Authority served as host of the CWWA Virtual 30th Annual Conference. The international conference targets everyone in the Caribbean involved in the production, treatment and supply of drinking water, wastewater collection, treatment and disposal and solid waste management.

The Water Authority organised the event over 11 months, with support from Cayman Water Company and the Department of Environmental Health of the Cayman Islands. Work on the conference began in late 2020 with the creation of the conference theme and logo.

The logo was designed by the Water Authority's Laboratory Technologist,

The conference, which took place 1-8 October 2021, began with a pre-conference workshop, followed by a week of technical presentations, special sessions, and special ceremonies, including the celebration of the CWWA's 30th Anniversary. A team of four core Water Authority staff oversaw the technical run of the show the week of the conference, with guidance from Cayman Spaces.

Two High-Level Forums followed this, with Caribbean Ministers responsible for water, wastewater, and solid waste in the two weeks following the conference. Due to the pandemic, the proceedings were virtual.

Of the nineteen technical presentations given at the conference, six were from the Cayman Islands—five of those being Water Authority staff members. The Cayman Islands was further represented at the Special Sessions with representatives from Hazard Management Cayman Islands, CUC, Cayman Water, the Department of Environment and the Department of Environmental Health serving as panelists and moderators.

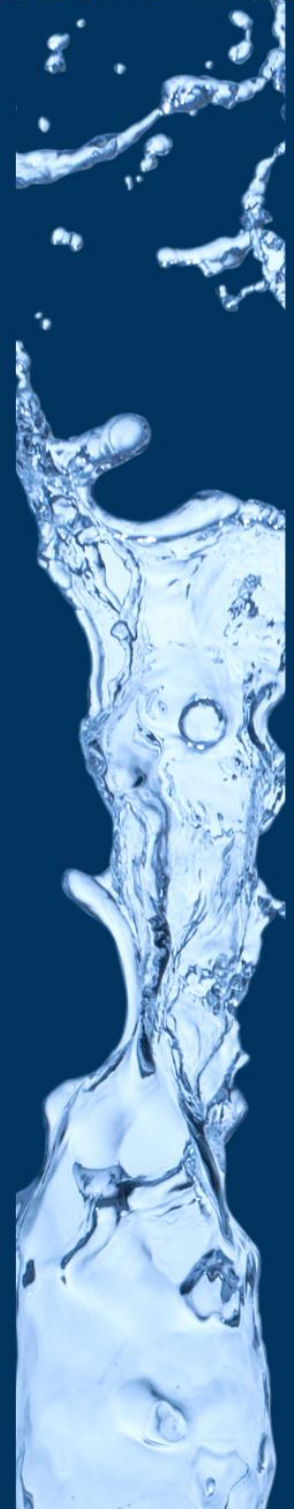
Two employees of the Water Authority were awarded the CWWA's Gold Award, which honours stalwarts of the water and wastewater industry. Tom van Zanten, Deputy Director of the Water Authority, was honoured for his 37 years of service. Walt Watler was posthumously awarded for his invaluable service to the development of the water infrastructure in the Cayman Islands. Bernard Etinoffe of the Dominica Water and Sewerage Company Limited was the third recipient of the Gold Award.

The Honourable Julianna O'Connor-Connolly JP, Minister with responsibility for the Water Authority, provided the welcome remarks, and Honourable Wayne Panton, Premier, gave the keynote speech at the Opening Ceremony. Honourable O'Connor Connolly and Honourable Sabrina Turner, Minister responsible for Solid Waste, gave addresses at their respective High-Level Forums for Caribbean Ministers.





REGULATORY & STATUTORY



Statutory Fee

The Authority engages in the management, development and protection of water resources. Historically the Authority's statutory functions have been funded from the Authority's utility revenue and royalties. These functions are critical to the protection of groundwater resources.

In 2017, when the enabling legislation to transfer the Authority's regulatory function for the water and wastewater sector to OfReg was established, the principle of a statutory fee to fund the Authority's statutory role was enshrined in the legislation. The Statutory Fee was introduced through the Water Authority (Amendment) Regulations, 2021, which was gazetted on 20 January 2021.

Water customers saw the statutory fee reflected in their bill from February 2021, found in the "New Charges" and "Consumption Details" sections. The statutory fee is \$0.22 per cubic metre. Although the statutory fee appeared as an additional line item on the water customer bill, there was no resulting increase in the bill amount, as the fee was separated from the base rate. Separating the fee from the current base water rates allowed for more transparency, giving customers a better understanding of what portion of water rates revenue is used to fund statutory functions.

The Authority embarked on a public education campaign aimed at helping customers understand what the statutory fee is, how it will impact customers' bills and why the statutory fee was necessary.

UNDERSTANDING THE NEW STATUTORY FEE

WHAT IS THE STATUTORY FEE?
The statutory fee is the portion of the current water rates used to fund the cost of the statutory functions carried out by the Water Authority.

WHEN DOES IT COME INTO EFFECT?
The statutory fee comes into effect with the February 2021 bill.

WHO DOES IT IMPACT?
While the fee is a new line item reflected on all the Authority's water customers' bills, it does not result in an increase in rates.

HOW WILL IT AFFECT MY BILL?
Although the statutory fee will be shown as an additional line item on the bill, there will not be an increase as this fee (\$0.22 per cubic metre) is being separated from the current water base rates. Future adjustments to the statutory fee will be made simultaneously as base rate adjustments, using the same methodology.

WHERE WILL I SEE THE FEE?
The fee will be reflected in the "New Charges" and the "Consumption Details" section of the bill.

WHY IS THIS HAPPENING?
Historically the Authority's statutory function was funded from the Authority's utility revenue and royalties. By separating this fee from the current base water rates, the Authority can be transparent about the portion of the water rates that is used to fund its statutory function. The Statutory Fee is being introduced through the Water Authority (Amendment) Regulations, 2021 which was gazetted on 20 January 2021.



PROTECTING OUR WATER RESOURCES

For more information about the statutory fee visit our website www.waterauthority.ky

HOW THE STATUTORY FEE IS SEPARATED FROM THE BASE WATER RATES FOR A RESIDENTIAL CUSTOMER

	BEFORE THE INTRODUCTION OF THE STATUTORY FEE		AFTER THE INTRODUCTION OF THE STATUTORY FEE	
	Rate	Revised Rate	Statutory Fee	Combined Rate
Price per m ³ for first 12m ³	\$4.56	\$4.34	\$0.22	\$4.56
Price per m ³ over 12m ³	\$5.79	\$5.57	\$0.22	\$5.79

Example of educational content explaining the statutory fee



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 successfully train local service providers. In 2021, 48 professionals were certified through the programme, using the modified Small Wastewater System training programme from Sacramento State University. As the development boom continues, the Authority continues to keep the pace to certify more individuals and has offered continuing education courses to keep those already certified up to date.



OUR PEOPLE



OUR PEOPLE

At the end of the fiscal period, the Authority had a staff of 145 persons across a total of six departments under the umbrella of the Executive Office: Engineering and Operations, Human Resources, Customer Service, Finance, Information Systems, and Water Resources & Quality Control. There are 129 employees based in Grand Cayman and 16 based in Cayman Brac.

Leavers 9 Joiners 19
.....
End of Year Total: 145

ANNUAL STAFF MEETING



On 12 March 2021, the Water Authority held its Annual Staff Meeting. It was the first Annual Staff Meeting in several years. Staff members were pleased to gather together after a difficult 2020 and look forward to the future. Keeping in line with the theme of "Building the Best for the Future", staff participated in activities that tested their teamwork and had them reflect on their values as Water Authority employees. 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. Keynote speaker Pilar Bush inspired staff by providing them with a framework to build their best future. Minister O'Connor-Connolly, and the then Board Chairman, Mr Kearny Gomez, joined staff for the afternoon, motivating staff with energising remarks.

COMMUNITY OUTREACH

GIVING BACK TO THE COMMUNITY

The Water Authority Board's Sponsorship Assessment Sub-Committee approved a total of \$57,000 in financial support for several local charities, non-profits and community initiatives. Those organisations included the Cayman National Cultural Foundation, The Pine Retirement Home, Meals on Wheels, Lions Club of Tropical Gardens and the Chamber of Commerce.

In early 2021 Water Authority-Cayman and Cayman Water Company worked together with the Rotary Club of Grand Cayman Sunrise to support our regional neighbours of Nicaragua and Honduras following the impact of two major hurricanes (Hurricanes Eta and Iota). Both utilities each donated \$2,500 to purchase Aqua © Iodine Water Purification Tablets. These tablets disinfect water of questionable microbiological quality and treat viruses, bacteria and cysts. A total of 1,728 bottles, with 50 purification tablets each were donated, enough to treat 11,400 gallons of water, was shipped in February.



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 the shoreline in Bodden Town.



EDUCATIONAL OUTREACH AND ACHIEVEMENTS

The Water Authority family grew with the return of two of its scholarship recipients, Lisaida Swaby-Oliva and Kaled Giron.

Ms Swaby-Oliva joined the Water Authority full-time as HR Administrator in the HR Department after completing her Bachelor's Degree in Business Management at the University of South Florida in May. Mr Giron joined the Water Authority full time as Applications & Network Support Specialist (Designate) in the Information Systems Department after completing his Bachelor's Degree in Information Technology at Florida International University.

Both Mr Giron and Ms Swaby-Oliva interned with the Authority over their summer breaks since receiving their scholarship.



In addition to welcoming back its two scholarship recipients, the Authority also celebrated the achievements of Applications Support Manager (Designate) Kristina Hydes (nee Powell). Mrs Hydes was named a 2021 "Proud of Them" nominee. "Proud of Them" is a Cayman Islands government initiative that highlights young Caymanians' extraordinary achievements in the areas of culture, academics, sports, business, and community service.

Mrs Hydes, a former Water Authority scholarship recipient, was nominated for her academic achievements. She was one of fourteen honourees selected from a pool of sixty-seven nominees.

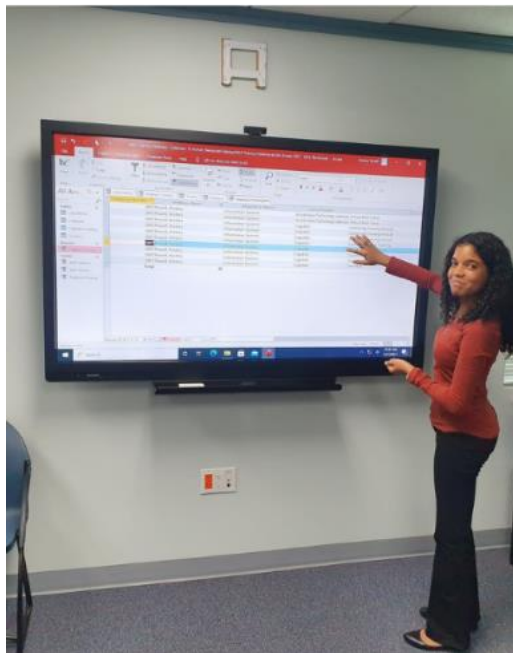
To celebrate "Proud of Them" honourees' accomplishments, the Ministry of Education, Youth, Sports Agriculture and Lands (MEYSAL), in partnership with the Youth Services Unit, erected fourteen billboards across Grand Cayman and Cayman Brac, featuring the likeness of the honourees. Ms Hydes' billboard was placed at the Frank Sound Road junction. Honourees were also recognised and celebrated at a gala.



The Authority was pleased to welcome interns over the summer after the internship programme was paused the year prior due to COVID. A total of twenty-three students took part in the 2021 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, IT, Operations and Engineering Services. One of the 2021 interns was the current Scholarship Recipient D'Vonte Joseph.



Over seven weeks between February and March 2021, the Water Authority participated in four career fairs, speaking with students about various career opportunities in the water and wastewater industry. The Authority took part in the Cayman Islands Chamber of Commerce's Careers Expo and the careers fair for John Gray High School, Clifton Hunter High School and Layman E Scott Sr High School.

Staff members from a broad scope of departments, including Engineering, Water Resources and Quality Control, Finance and Human Resources, spoke with students about their roles and responsibilities within the Authority and shared advice on preparing for the workforce.



SOCIAL COMMITTEE

The Authority's Social Committee fostered a spirit of community and fun through a series of events throughout 2021, including Burger Day, Puppy Therapy, the annual Summer Bash and Staff Christmas Social.

The Social Committee also organised several charity dress-down days, donation drives and charity walk/run teams for local charities, including Jasmine, the Humane Society, and the Pines Retirement Home.

Another organisation supported was the NCVO, the selected charity for the Authority's Annual "Project Angel Tree". "Project Angel Tree" is an annual staff-driven holiday fundraising initiative. A total of \$1,730 was raised, combining both staff donations and the matched donation of the Authority's Board.

Laboratory Technologist Chynna Retumban served as the Chair of the Social Committee and Development Control Technologist Corey Christian served as Deputy Chair.



CHAIRMAN'S AWARD RECIPIENTS

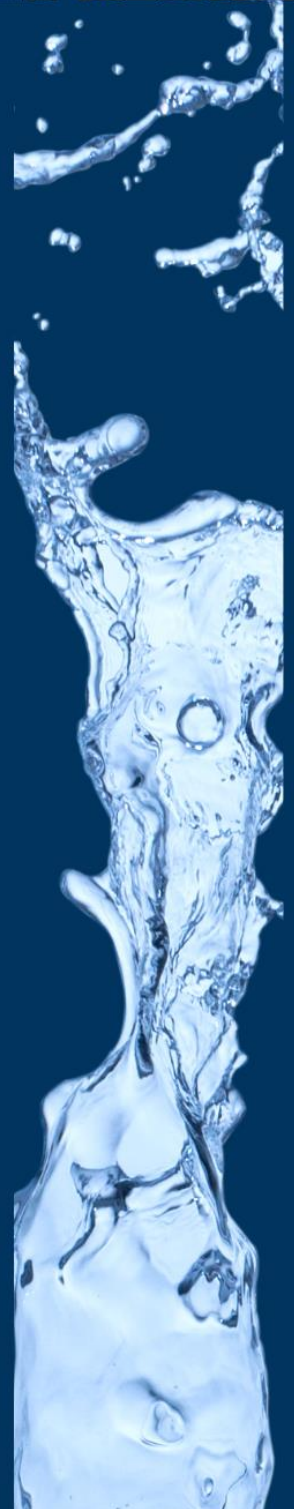
The Chairman's Award is a prestigious award given annually to an employee or group of team members who have shown exemplary service, nominated by the Senior Management Team and approved by the Chairman. In 2021 three employees were honoured with the award: Senior Operator (RO Plant), Allenger McLaughlin, Operator (RO Plant) Jason Seymour and Network & Security Manager, Sean Bodden.



Mr McLaughlin and Mr Seymour have been instrumental in bringing the Authority's Lower Valley RO plant to almost full production capacity after several years of operational challenges. They displayed initiative and flexibility while implementing a number of solutions with enthusiasm. Mr Bodden was selected for his commendable work which he delivers quickly and consistently. Known as the "go-to" person in IT he takes on responsibility for tasks beyond his remit, all with a positive attitude.



FINANCIAL STATEMENTS



**THE WATER AUTHORITY
OF THE CAYMAN ISLANDS**

FINANCIAL STATEMENTS
31 December 2021

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Water Authority of the Cayman Islands
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
31 December 2021

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 2021.

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 2021;
- (b) fairly reflect the financial position as at 31 December 2021 and comprehensive loss as at and for the year ended 31 December 2021; 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



Dr. Gelia Frederick-van Genderen

Director
Water Authority of the Cayman Islands



Ms. Lori Bergman

Chief Finance Officer
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 2021, the statements of comprehensive loss, 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 2021 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 11 October 2021, and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come.

Emphasis of Matter

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

Other Information

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

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We have undertaken the audit in accordance with the provisions of Section 60(1)(a) of the Public Management and Finance Act (2020 Revision). We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

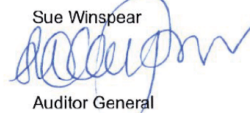


30 April 2022



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Sue Winspear

Auditor General

30 April 2022



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Water Authority of the Cayman Islands
Statement of Financial Position
As at 31 December 2021
(Stated in Cayman Islands dollars)

	Note	31 December 2021	31 December 2020
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	5	61,770,815	62,741,510
Total non-current assets		61,770,815	62,741,510
<i>Current assets</i>			
Cash and cash equivalents		13,046,776	15,964,599
Fixed deposits		40,066,087	29,910,456
Accounts receivable, net	3	3,684,193	3,907,898
Unbilled revenue	10	1,690,593	1,398,729
Inventory, net	4	164,835	223,654
Prepaid expenses		305,814	234,012
Total current assets		58,958,298	51,639,348
Total assets		120,729,113	114,380,858
Liabilities and shareholder's equity			
Liabilities			
<i>Non-current liabilities</i>			
Lease liabilities	12	80,535	88,659
Employee pension benefits, net	9(a)	2,561,000	3,139,000
Pension employee healthcare benefits, net	9(c)	6,790,000	7,252,000
Non-pension employee healthcare benefits, net	9(d)	46,173,000	24,365,000
Total non-current liabilities		55,604,535	34,844,659
<i>Current liabilities</i>			
Accounts payable		2,125,363	2,390,199
Contract retention payable		1,547	56,594
Customer deposits		1,689,739	1,610,032
Total current liabilities		3,816,649	4,056,825
Total liabilities		59,421,184	38,901,484
Shareholder's equity			
Contributed capital	7	486,000	236,000
Retained earnings		60,821,929	75,243,374
Total shareholder's equity		61,307,929	75,479,374
Total liabilities and shareholder's equity		120,729,113	114,380,858

On behalf of the Board on 30 April 2022

DARREL RANKINE

GELIA FREDERICK-VAN GENDEREN

LORI BERGMAN

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 Loss
For the Year Ended 31 December 2021
(Stated in Cayman Islands dollars)

	Note	31 December 2021	31 December 2020
Operating revenue			
Water sales		28,686,504	27,771,940
Sewerage fees		5,170,757	4,941,327
Septage disposal		220,598	202,558
Agency work		64,946	126,028
Connection and miscellaneous fees		30,150	22,120
Total operating revenue		34,172,955	33,063,973
Operating expenses			
Water purchases and production		6,686,668	6,092,567
Depreciation expense	5	3,620,167	3,652,414
Salaries		3,609,846	3,504,571
Repairs and maintenance		2,425,624	1,392,602
Wages		1,850,643	1,649,593
Electricity		1,043,815	914,308
Supplies		1,396,514	1,085,364
Miscellaneous		386,010	348,497
Impairment of property, plant and equipment	5	11,825	18,771
Total operating expenses		21,031,112	18,658,687
Finance costs			
Land lease interest expense		4,211	4,580
Gross operating profit		13,137,632	14,400,706
Other income			
Royalties		1,747,819	554,210
Other		141,524	124,494
Statutory licencing fees		41,308	6,123
Interest income		157,039	336,006
Total other income		2,087,690	1,020,833
Operating profit		15,225,322	15,421,539

(continued)

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

Water Authority of the Cayman Islands
Statement of Comprehensive Loss (continued)
For the Year Ended 31 December 2021
(Stated in Cayman Islands dollars)

	Note	31 December 2021	31 December 2020
Administration expenses			
Salaries	8	2,523,872	2,514,119
Staff training and benefits		2,603,476	2,090,351
Non-pension employee healthcare benefits cost	9(d)	33,500,000	2,377,000
Insurance		857,743	859,388
Telephone and utilities		459,013	425,194
Miscellaneous		397,000	379,260
Information systems		455,205	396,722
Pension employee healthcare benefits cost	9©	375,000	412,000
Legal and professional fees		310,071	335,661
Depreciation expense	5	123,747	134,598
Repairs and maintenance		188,049	149,951
Licenses and dues		98,232	63,113
Office and lab supplies		33,839	34,539
Office rental		4,320	4,320
Defined benefit pension cost	9(a)	(47,000)	99,000
Bad debt expense		574,200	103,227
Total administration expenses		42,456,767	10,378,443
Net (loss)/profit for the year		(27,231,445)	5,043,096
Other comprehensive income/(loss)			
Remeasurements of non-pension employee healthcare plan	9(d)	11,692,000	(4,193,000)
Remeasurements of pension employee healthcare plan	9©	837,000	192,000
Remeasurements of defined benefit pension plan	9(a)	531,000	(419,000)
		13,060,000	(4,420,000)
Comprehensive (loss)/income for the year		(14,171,445)	623,096

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 2021
(Stated in Cayman Islands dollars)

	Note	31 December 2021	31 December 2020
Contributed capital			
Balance at beginning of year		236,000	236,000
Contribution from Government		250,000	-
Balance at end of year	7	486,000	236,000
Retained Earnings			
Balance at beginning of year		75,243,374	74,870,278
Net (loss)/income for the year		(27,231,445)	5,043,096
Other comprehensive income/(loss) for the year		13,060,000	(4,420,000)
Contribution to Government	8	(250,000)	(250,000)
Balance at end of year		60,821,929	75,243,374
Total shareholder's equity		61,307,929	75,479,374

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 2021
(Stated in Cayman Islands dollars)

	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Net (loss)/income for the year		(27,231,445)	5,043,096
Adjustments to reconcile net income for the year to net cash generated by operating activities:			
Depreciation expense	5	3,743,915	3,787,012
Impairment of property, plant and equipment	5	11,825	18,773
Add/(deduct) net changes in non-cash operating balances:			
Accounts receivable, net		223,705	170,842
Unbilled revenue		(291,864)	417,102
Inventory, net		58,819	(112,147)
Prepaid expenses		(71,802)	(161,625)
Accounts payable		(264,836)	1,105,452
Contract retention payable		(55,047)	-
Customer deposits		79,707	52,375
Employee pension benefits, net		(47,000)	99,000
Pension employee healthcare benefits, net		375,000	412,000
Non-pension employee healthcare benefits, net		33,500,000	2,377,000
Net cash generated by operating activities		10,030,977	13,208,880
Cash flows from investing activities			
Property, plant and equipment purchased	5	(3,669,441)	(2,693,327)
Property, plant and equipment disposed		884,396	1,222,205
Purchase of fixed deposits		(10,155,631)	(5,334,680)
Net cash used in investing activities		(12,940,676)	(6,805,802)
Cash flows from financing activities			
Payment of lease liabilities		(8,124)	(7,755)
Contribution to Government	8	(250,000)	(250,000)
Contributed capital		250,000	-
Net cash used in financing activities		(8,124)	(257,755)
Net (decrease)/increase in cash and cash equivalents during year		(2,917,823)	6,145,323
Cash and cash equivalents at beginning of year		15,964,599	9,819,276
Cash and cash equivalents at end of year		13,046,776	15,964,599

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 2021

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 2021, the Water Authority had 145 employees (31 December 2020: 135 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 30 April 2022.

(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 2021

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 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 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 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 loss.

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2021

2. Significant Accounting Policies (continued)

(g) Use of estimates and judgement

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

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

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

(i) Allowance for impairment losses on receivables

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

(ii) Valuation of long lived assets

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

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

(iii) Valuation of employee benefit plans

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

(iv) Depreciation and amortisation

The Water Authority's property, 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 2021

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, 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 2021

2. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(ii) Financial liabilities

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

(iii) Offsetting financial assets and liabilities

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

(k) Cash and cash equivalents

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

(l) Fixed Deposits

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

(m) Inventory

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

(n) Spare parts

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

(o) Employee Benefit Plans

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

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

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

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2021

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

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2021

3. Accounts receivable, net

Lifetime expected credit losses have been calculated using sales invoices billed between 1 January 2021 and 31 December 2021 and the actual cash collection dates of these invoices to determine a historical collection profile by aging category.

	31 December 2021	31 December 2020
Trade Receivables	4,331,005	4,034,180
Other Receivables	469,029	415,468
Allowance for Doubtful Accounts	(1,115,841)	(541,750)
	3,684,193	3,907,898

4. Inventory, net

	31 December 2021	31 December 2020
Consumables	63,011	165,649
Water Inventory	64,662	73,866
Provision for Obsolete Inventory	(15,861)	(15,861)
	111,812	223,654

5. Property, plant and equipment

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

	31 December 2021	31 December 2020
1. Grand Cayman – WBSS – Pipeline Install	809,947	809,947
2. Cayman Brac – Site Preparation	546,287	546,287
3. Grand Cayman – North Side Water Works Site Preparation	207,164	207,164
4. Cayman Brac – Distribution Extension	100,000	148,000
5. Little Cayman – Site Development	2,603	-
	1,666,001	1,711,398

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 2021

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	<u>3,805,599</u>	<u>5,650,711</u>	<u>78,734,261</u>	<u>31,002,290</u>	<u>9,468,714</u>	<u>1,666,001</u>	<u>103,818</u>	<u>1,640,171</u>	<u>132,071,565</u>
CIS									
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	-	<u>1,943,170</u>	<u>41,983,908</u>	<u>18,281,494</u>	<u>8,063,864</u>	-	<u>28,314</u>	-	<u>70,300,750</u>
CIS									
Net Book Value at 31 December 2021									
CIS	<u>3,805,599</u>	<u>3,707,541</u>	<u>36,750,353</u>	<u>12,720,796</u>	<u>1,404,850</u>	<u>1,666,001</u>	<u>75,504</u>	<u>1,640,171</u>	<u>61,770,815</u>

During the year ended 31 December 2021, the Water Authority identified projects to be upgraded which resulted in a net impairment loss of the original assets of C\$11,825 (December 2020: C\$18,771) 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\$72,653 (31 December 2020: C\$82,773).

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2021

5. **Property, plant and equipment (continued)**

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

Water Authority of the Cayman Islands
Notes to the Financial Statements
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6. Loans payable

The Water Authority has an overdraft facility at 4.25% interest per annum with First Caribbean International Bank in the amount of C\$416,000 (31 December 2020: C\$416,000). At 31 December 2021, C\$Nil (31 December 2020: 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.

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\$16,538 (31 December 2020: C\$18,547) relating to their services rendered during the year ended 31 December 2021. 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 2020: C\$250,000).
2. The remuneration of directors and other members of key management personnel for the year ended 31 December 2021 was C\$1,176,439 (31 December 2020: C\$1,102,594). 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\$52,149 (31 December 2020: C\$49,444). No loans were issued to key management personnel during the year (31 December 2020: C\$Nil). There were 7 personnel categorised in 2020 broken down as 6 key management personnel and 1 Director (31 December 2020: 6 key management personnel and 1 Director).

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

9. Employee Benefits

a) Defined Benefit Pension Plan

The Public Services Pension Plan is managed by the Government of the Cayman Islands through the Public Services Pension Board (the "PSPB"). The PSPB is responsible for, among other things, administering the Public Service Pensions Fund (the "Fund"), communicating with plan participants and employers, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the Public Service Pensions plans as needed. The current number of active employees enrolled under the defined benefit plan is 3 (31 December 2020: 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 2021

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

The Authority expects to pay C\$122,000 in contributions to the Plan in 2022.

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

The most recent actuarial valuation for IAS 19 reporting was conducted in April 2022 using data as at 31 December 2021. 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 2021.

The actuarial position is as follows:

	31 December 2021	31 December 2020
	CIS000's	CIS000's
Defined benefit obligation	(4,284)	(4,538)
Fair value of plan assets	1,723	1,399
Net liability at end of year	<u>(2,561)</u>	<u>(3,139)</u>

The present value of the funded obligation changes as follows:

	31 December 2021	31 December 2020
	CIS000's	CIS000's
Defined benefit obligation at beginning of year	4,538	3,950
Current service cost	59	64
Interest expense	100	128
Plan participant contributions	12	13
Benefit payments from plan assets	(52)	(11)
Transfer between other participating employers	-	(181)
Remeasurements	(373)	575
Defined benefit obligation at end of year	<u>4,284</u>	<u>4,538</u>

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

	31 December 2021	31 December 2020
	CIS000's	CIS000's
Fair value of plan at beginning of year	1,399	1,329
Interest income	32	44
Employer contributions	174	11
Plan participant contributions	12	13
Benefit payment from plan assets	(52)	(11)
Transfer between other participating employers	-	(181)
Adjustment of prior years' cash flows allocations	-	38
Remeasurements	158	156
Fair value of plan at end of year	<u>1,723</u>	<u>1,399</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2021

9. Employee Benefits (continued)

a) Defined Benefit Pension Plan (continued)

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

	31 December 2021	31 December 2020
	CI\$000's	CI\$000's
Current service cost, net of employee contributions	59	64
Net interest cost	68	84
Total defined benefit cost	127	148
Employer contributions recognised in administrative expenses	(174)	(11)
Adjustment of prior years' cash flow allocations	-	(38)
Net defined benefit cost	<u>(47)</u>	<u>99</u>

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

	31 December 2021	31 December 2020
	CI\$000's	CI\$000's
Effect of changes in demographic assumptions	9	(86)
Effect of changes in financial assumptions	(244)	741
Effect of experience adjustments	(138)	(80)
Return on plan assets (excluding interest income)	(158)	(156)
Remeasurements	<u>(531)</u>	<u>419</u>

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

	31 December	31 December
	2021	2020
Equity securities	82%	82%
Debt securities	17%	18%
Cash	1%	0%

The principal actuarial assumptions at the date of valuation:

A. Cost method - Projected Unit Credit

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

	31 December	31 December
	2021	2020
Discount rate	2.90%	2.60%
Salary increase	2.50%	2.50%
Price inflation rate	2.00%	2.00%
Future pension increases	2.00%	2.00%

C. Other assumptions –

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

D. Asset valuation – fair market value

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2021

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 2021 and 31 December 2020 to changes in the weighted principal assumptions is:

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%

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

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 2020: 5% and 5%), respectively of salary contributions to the defined pension contribution plan. The total employees enrolled in the defined pension contribution plan is 139 (31 December 2020: 128).

The total amount recognised as employer contributions for the year ended 31 December 2021 was C\$411,675 (31 December 2020: C\$381,346) 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 2021

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 2020: 10), 7 of the 10 members which qualified for early retirement exercised their right and are therefore no longer part of the defined benefit pension plan. The total amount recognised as employer contributions for the year ended 31 December 2021 was C\$175,464 (31 December 2020: C\$68,832). This amount is included in administrative expenses (staff training and benefits). The Authority expects to pay C\$132,000 in contributions to the Plan in 2022.

The most recent actuarial valuation for IAS 19 reporting was conducted in April 2022 using data as at 31 December 2021. 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 2021.

The actuarial position is as follows:

	31 December 2021	31 December 2020
	C\$000's	C\$000's
Pension employee healthcare benefits obligation	(6,790)	(7,252)
Fair value of plan assets	-	-
Net liability at end of year	<u>(6,790)</u>	<u>(7,252)</u>

The present value of the funded obligation changes as follows:

	31 December 2021	31 December 2020
	C\$000's	C\$000's
Pension employee healthcare benefits at beginning of year	7,252	7,032
Current service cost	202	178
Interest expense	173	234
Remeasurements	(837)	(192)
Pension employee healthcare benefits at end of year	<u>6,790</u>	<u>7,252</u>

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

	31 December 2021	31 December 2020
	C\$000's	C\$000's
Current service cost, net of employee contributions	202	178
Net interest cost	173	234
Total pension employee healthcare benefits	<u>375</u>	<u>412</u>
Net pension employee healthcare benefits cost	<u>375</u>	<u>412</u>

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2021

9. **Employee Benefits (continued)**

c) Pension Employee Defined Benefit Healthcare Plan (continued)

The remeasurements included in other comprehensive loss are as follows:

	31 December 2021	31 December 2020
	CIS000's	CIS000's
Effect of changes in demographic assumptions	16	(1,237)
Effect of changes in financial assumptions	(775)	1,138
Effect of experience adjustments	(78)	(93)
Remeasurements	<u>(837)</u>	<u>(192)</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 2021	31 December 2020
Discount rate for obligation	2.95%	2.70%
Discount rate for costs	2.75%	3.70%
Medical inflation rate	5.33%	5.00%

C. Other assumptions –

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

The Water Authority's pension employee obligations are linked to inflation, and higher inflation will lead to higher liabilities. The defined benefit healthcare obligation will be affected by the medical inflation rate at 5% in the current period and is based on historical claims information and long-term medical inflation expectation. The majority of the pension employee defined benefit healthcare obligations are to provide post-retirement healthcare for the life of the member, so increases in life expectancy will result in an increase in the pension employee defined benefit healthcare obligations.

The sensitivity of the defined benefit obligation at 31 December 2021 and 31 December 2020 to changes in the weighted principal assumptions is:

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

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

Water Authority of the Cayman Islands
Notes to the Financial Statements
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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 132 (31 December 2020: 123)

The most recent actuarial valuation for IAS 19 reporting was conducted on 8 April 2022 using data as at 31 December 2021. 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 2021. The Authority expects to pay CIS263,000 in contributions to the Plan in 2022.

The actuarial position is as follows:

	31 December 2021	31 December 2020
	CIS000's	CIS000's
Non-pension employee healthcare benefits obligation	(46,173)	(24,365)
Fair value of plan assets	-	-
Net liability in financial position at end of year	<u>(46,173)</u>	<u>(24,365)</u>

The present value of the funded obligation changes as follows:

	31 December 2021	31 December 2020
	CIS000's	CIS000's
Non-pension employee healthcare benefits obligation at beginning of year	24,365	17,795
Past service cost	30,794	501
Current service cost, net of employee contributions	2,171	1,337
Employer direct benefit payments	(49)	(56)
Interest expense	584	595
Remeasurements	(11,692)	4,193
Non-pension employee healthcare benefits at end of year	<u>46,173</u>	<u>24,365</u>

Water Authority of the Cayman Islands
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9. **Employee Benefits (continued)**

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

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

	31 December 2021	31 December 2020
	CIS000's	CIS000's
Past service cost	30,794	501
Current service cost, net of employee contributions	2,171	1,337
Net interest cost	584	595
Total non-pension employee healthcare benefits cost	33,549	2,443
Employer direct benefit payments	(49)	(56)
Net non-pension employee healthcare benefits cost	33,500	2,377

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

	31 December 2021	31 December 2020
	CIS000's	CIS000's
Effect of changes in demographic assumptions	(6,623)	(489)
Effect of changes in financial assumptions	(4,695)	5,117
Effect of experience adjustments	(374)	(435)
Remeasurements	(11,692)	4,193

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 2021	31 December 2020
Discount rate for obligation	2.95%	2.70%
Discount rate for costs	2.75%	3.70%
Medical inflation rate	5.33%	5.00%

C. Other assumptions –

1. Mortality – standard U.S. mortality rates

2. Retirement age – The probability of an employee staying with the Water Authority until age 60 or age 65 is summarized below.

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

Water Authority of the Cayman Islands
Notes to the Financial Statements
For the Year Ended 31 December 2021

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 2021 and 31 December 2020 to changes in the weighted principal assumptions is:

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

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

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.

Water Authority of the Cayman Islands
Notes to the Financial Statements
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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 2021	31 December 2020	Type of contract	Timing of transfer
Water Sales	CIS	28,686,504	27,771,940	Fixed fee	Point in time
Sewerage fees		5,170,757	4,941,327	Fixed fee	Point in time
Septage disposal		220,598	202,558	Fixed fee	Point in time
Connection and miscellaneous fees		30,150	22,120	Fixed fee	Point in time
Agency work		64,946	126,028	Fixed fee	Point in time
Total	CIS	34,172,955	33,063,973		

(i) *Contract balances*

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

		31 December 2021	31 December 2020
Contract assets:			
Unbilled revenue	CIS	1,690,593	1,398,729

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 2021	31 December 2020
Unbilled revenue at the beginning of the year	CIS	1,398,729	1,815,831
Transfers from unbilled revenue recognised at the beginning of the year to receivables		(1,398,729)	(1,815,831)
Increases as a result of services performed but not yet billed		1,690,593	1,398,729
Unbilled revenue at the end of the year	CIS	1,690,593	1,398,729

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11. Financial Instruments

(i) Impairment of financial assets

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

12. Leases Liabilities

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

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

Maturity analysis – contractual undiscounted cash flows:

	<u>31 December 2021</u>	<u>31 December 2020</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	37,005	49,340
Total undiscounted lease liabilities at 31 December	<u>98,680</u>	<u>111,015</u>
Lease liabilities included in the statement of financial position at 31 December		
Current	<u>80,535</u>	<u>88,659</u>
Non-current	8,124	8,124
	72,411	80,535

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13. Financial risk management objectives and policies

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

Credit risk

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

Customer credit risk is jointly managed within the finance and customer service departments of the Water Authority. Outstanding customer receivables are regularly monitored, and the Water Authority will disconnect water supply to any customers who do not pay their invoices within 60 days. Payment agreements are available to customers who seek assistance and are monitored closely to ensure compliance. Failure to pay within the outlined time will result in disconnection. The Water Authority holds customer deposits on each account as collateral against non-payment amounting to CI\$1,689,739 (31 December 2020: CI\$1,610,032).

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 2021</u>	<u>31 December 2020</u>
Trade Receivables	4,331,005	4,034,180
Unbilled revenue	1,690,593	1,398,729
Other Receivables	469,029	415,468
Fixed deposits	40,066,087	29,910,456
	<u>CI\$ 46,554,714</u>	<u>35,758,833</u>

The expected loss rates are based on the collection profile for revenue generated over the past 12 months before 31 December 2021 and 1 January 2021 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 2021, an allowance for doubtful receivables of C\$1,115,841 has been made against accounts receivable (31 December 2020: C\$541,750). The aging of trade and other receivables at 31 December 2021 is as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Current	1,735,684	1,362,124
Between 30 days and 60 days	875,972	759,242
Between 60 days and 90 days	277,493	258,098
Greater than 90 days	1,910,885	2,070,184
	C\$ 4,800,034	C\$ 4,449,648

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 2021 and 2020, accounts payable are all due within 3 months of the statement of financial position date.

Market risk

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

Interest rate risk

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

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

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

Currency risk

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

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

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

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

15. Subsequent events

In preparing these financial statements, management has evaluated subsequent events up to 30 April 2022, 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.