



## The Water Authority of the Cayman Islands



# ANNUAL REPORT

For the 2014/15 Financial Year

*"A year of major infrastructure projects, employee capacity building, technological innovation and community outreach."*



**OWNERSHIP AGREEMENT  
AND ANNUAL REPORT**

**For**

*The Water Authority of the Cayman Islands*

*For the 2014/15 Financial Year*

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## 1. Purpose

This annual report details the performance of The Water Authority of the Cayman Islands ("The Authority") for the fiscal year ended 30 June 2015.

It includes information about the actual performance delivered during the year as compared to the planned performance documented in the Ownership Agreement for The Authority for the 2014/15 financial year, or as amended through the supplementary appropriation process.

## 2. Nature and Scope of Activities

This section outlines the Nature and Scope of Activities within which The Authority operated during the year.

### **Approved Nature and Scope of Activities**

*The Authority's activities are:*

*To ensure that the entire population of the Cayman Islands have access to a pure, wholesome and affordable supply of potable water; and to regulate other entities who are licensed by the Government to provide public water supplies.*

*To protect and develop groundwater resources for the benefit of present and future populations of these islands. (Cannot modify the wording as established mission statement)*

*To provide for the collection, treatment and disposal of sewage within these islands 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.*

### **Compliance during the Year**

Throughout the 2014/15 financial year The Authority complied with the defined mission statement as described above.

During the course of the year The Authority sold 3.6 million m<sup>3</sup> of water (2013/14: 3.6 million m<sup>3</sup>) and processed 1,014 million gallons of wastewater (2013/14: 1,086 million gallons) in Grand Cayman and sold 0.1 million m<sup>3</sup> of water in Cayman Brac (2013/14: 0.1 million m<sup>3</sup>).

The Water Resources and Quality Control Department carried out the Authority's statutory functions of groundwater protection and management, development control and related permitting throughout the fiscal period. The Authority's accredited water and wastewater Laboratory provided ongoing analytical services for The Authority's water supply, wastewater treatment system and groundwater monitoring programs. The Department continued the development of the Onsite Wastewater Management Program, a partnership between The Authority as regulator of onsite wastewater treatment, property owners/developers who own the onsite wastewater treatment systems and service providers who install and maintain onsite wastewater treatment systems. Following a successful external audit in September 2015, the Laboratory's accreditation granted by the American Association for Laboratory Accreditation was extended through November 2017.

The Authority prides itself on its fiscal management and ability to be self-sufficient. Throughout the financial year The Authority had a positive net surplus and maintained its fiscal independence. The Authority contributed \$100,000 to the Government of the Cayman Islands (2013/14: \$100,000) and invested \$3.9 million (2013/14: \$2.0 million) into the capital infrastructure of the Cayman Islands.

### 3. Strategic Goals and Objectives

#### Approved Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) of The Authority for the 2014/15 financial year were as follows:

1. [Re-Establish Water Production Capacity to ensure water distribution system reliability](#)
  - [Lower Valley](#) – Complete the re-design and refurbishment of the reverse osmosis plant, complete with building refurbishment, replacement of plant equipment and the modernization of the plant control system. Use in house resources to rehabilitate the Feed Water Well pumps.
  - [Red Gate Site](#) – Construction of a new pumping station to replace the existing one that no longer meets the high requirements of The Authority's pumping needs.
2. [Provide piped water access to approximately 9% of the Cayman Brac Population as part of the long term goal to provide piped water services to the residents and visitors on Cayman Brac](#)
  - [Cayman Brac Extension Project](#) – Install 12,300 feet of various size water mains along North Coast up to and including the West End Primary School and smaller diameter pipelines in all developed side roads. This will provide piped water to approximately 110 developments (houses, apartment complexes, restaurants, 7 business), or to around 180 residents and based on 2010 Census figures that is approximately 9% of the residential population.
  - [Site Preparation](#) – Preliminary work on the bluff site to clear and fill the location to prepare for the eventual development of the new water production facility.
3. [Improve Integrity of the Wastewater Collection system by addressing ground water infiltration. Goal to reduce salinity by 75%](#)
  - [Wastewater Collection System](#) – Phase II – Closed Circuit Television Survey (CCTV) of the collections system to identify and repair compromised sewer mains.

#### Achievement during the Year

1. [Re-Establish Water Production Capacity to ensure water distribution system reliability](#)
  - [Lower Valley](#) – Upon completion of a competitive tendering process the contract to refurbish the Lower Valley RO plant was awarded to Ocean Conversion Limited (Cayman) Ltd. (OCL) at a cost of US\$960,000 and after approved revisions updated to US\$1.2 million. The project commenced in late April 2014 and with several post contract modifications the project was substantially completed in February 2015 at a final cost of CI\$1.2 million which included supporting costs incurred by The Authority. Subsequent to the completion of the contract there were issues with the feed water well pumps and the membrane performance which is expected to delay the formal completion of the contract to early 2015/16.
  - [Red Gate Site](#) – Due to planning and limited resources this project was re-scheduled to commence in the 2015/16 financial year.
2. [Provide piped water access to approximately 9% of the Cayman Brac Population as part of the long term goal to provide piped water services to the residents and visitors on Cayman Brac](#)
  - [Cayman Brac \(CYB\) Extension Project](#) – Under the CYB Extension project, which commenced in October 2013, the installation of 17,318 feet (2014: 9,500') of new 4" and 6" pipeline along various side roads has been completed at a total cost of \$783k (2014: \$478k). These extensions allowed for new customers to sign up for piped water, raising the number of piped water customers as at 30 June 2015 to 129. Using population figures as shown in the Cayman Islands' 2010 Census Report which estimated the population of CYB at around 2,000, an assumption can be made that with an average of 2.5 persons per household, piped water is now available to 16% of the island residents.
  - [Site Preparation](#) – In preparation for the anticipated work on the Bluff site, Scott's Development Co. Ltd was contracted to clear the entrance to the site at a cost of \$24k. This project was completed in October 2014. Further work and exploration is expected to commence in the 2015/16 financial year.

3. [Improve Integrity of the Wastewater Collection system by addressing ground water infiltration. Goal to reduce salinity by 75%](#)

- **Wastewater Collection System** – Phase II – Closed Circuit Television Survey (CCTV) of the collections system to identify and repair compromised sewer mains has been postponed until the 2015/16 financial year as Phase I has yet to be completed. During Phase I nearly 6,000 linear feet of leaking pipeline sections were successfully lined.

#### 4. Ownership Performance Targets

##### Financial Performance

Financial Performance Measure	2014/15 Actual \$	2014/15 Budget (Approved in LA) \$	Annual Variance \$
Revenue from Cabinet	Nil	Nil	Nil
Revenue from ministries, portfolios, statutory authorities and government companies	Nil	N/A	Nil
Revenue from operations and other income	30,054,952	31,910,666	(1,855,714)
Surplus/deficit from outputs (Gross Operating Surplus)	10,244,519	9,933,075	311,444
Administrative expenses	6,183,107	7,605,357	(1,422,250)
Net Surplus/Deficit	4,061,412	2,327,718	1,733,694
Total Assets	85,027,999	82,160,633	2,867,366
Total Liabilities	16,673,733	14,913,880	1,759,853
Net Worth	68,354,266	67,246,753	1,107,513
Cash flows from operating activities	8,604,677	6,191,648	2,413,029
Cash flows from investing activities	(3,973,174)	(4,793,400)	820,226
Cash flows from financing activities	(2,668,715)	(2,601,754)	(66,961)
Change in cash balances	1,962,788	(1,203,506)	3,166,294

Financial Performance Ratio	2014/15 Actual	2014/15 Budget (Approved in LA)	Annual Variance
Current Assets: Current Liabilities	2.80	1.75	1.05
Total Assets: Total Liabilities	5.09	5.51	(0.42)

##### Explanation of Variances

###### *Financial Performances: Income Statement*

Despite lower than expected sales The Authority was able to prudently manage expenses and show a 75% increase in expected net income. Other expenses came below budget due to several scheduled projects that were not completed in the financial year. For example, the Manhole Rehabilitation (\$250k) combined with lower than budgeted

actual costs of Salaries \$233k, Staff Training and Benefits \$145k, Information Systems \$251k, Insurance Expense \$40k, and most notable Legal and Professional \$356k, etc.

Assets - The assets of The Authority increased by \$2.9 million over budgeted figures, primarily because of the strong cash intake (\$3.2 million higher than budgeted) offset by capital projects that were not completed due to limited resources during the fiscal period.

Liabilities – The Authority complied with the Government moratorium not to enter into new debt financing agreements. Concentration remained on paying off existing debt while still proceeding with the required capital projects and remediation works. Given that there was no new borrowing the expectation was that the liability balance would decrease, however it increased by \$1.8 million. The significant increase is a result of the budget estimate being submitted prior to the knowledge that the Past Service Pension Liability obligation would increase. This increase was generated after the newly engaged Actuary of the Public Service Pension Board’s consultant (Mercer) used more current actuarial assumptions, which resulted in an increase in the estimated unfunded pension liability by \$1.1 million. This information was made available in August 2014 whilst the budget figures were presented in February 2014; hence it is reasonable that the budget figures were low. The Authority recognized the entire obligation in the 2013/14 financial year and expects that the future obligations will be more in line with budgeted figures now that the Actuary is using up to date figures. The increase in the unfunded pension liability together with a small increase in trade payables explains the difference between actual and budget.

Cash Balance - It is reasonable that the cash position is higher than originally budgeted due to prudent financial management and the fact that not all capital projects were executed.

Ten Year Development Plan - The Authority continues to update the Ten Year Capital Development plan, which is an integral part of The Authority’s ability to ensure that supply meets the expected demand, taking into consideration growth rates as well as lead-time to complete major projects. As part of this budget process The Authority conservatively estimates revenue and stringently manages expenses in order to maintain a key component of the Mission Statement, “To operate in such a manner as to be financial self-sufficient while contribution to the economy of these islands and achieving a reasonable and acceptable return on capital investments”.

In summary, The Authority ended the 30 June 2015 financial year in a strong financial position despite lower than expected revenue, allowing the Authority to complete projects within the financial year without cash injections from outside credit facilities.

*Financial Performance Ratios:*

It is reasonable that the current assets / current liabilities ratio is higher than expected as the cash position went from an estimate of decreasing by \$1.2 million to increasing by \$1.9 million, a jump of over \$3 million.

The Financial Performance Ratios are within expectation given the discussion above.

**Maintenance of Capability**

<b>Human Capital Measures</b>	<b>2014/15 Actual</b>	<b>2014/15 Budget (Approved in LA)</b>	<b>Annual Variance</b>
Total full time equivalent staff	126	123	3
Staff turnover (%)	5.0%	14.0%	(9.0%)
Average length of service (In Years)			
Senior Management	17	16	Nil
Professional Staff	11	14	(3)
Administrative / Field Staff	11	12	(1)
Significant changes to personnel management system	No actual software upgrades	No projected software upgrades	N/A

<b>Physical Capital Measures</b>	<b>2014/15 Actual</b>	<b>2014/15 Budget (Approved in LA)</b>	<b>Annual Variance</b>
Value of total non-current assets (NBV of Fixed Assets, inclusive of CIP)	66,549,656	69,503,598	(2,953,942)
Asset replacements: total assets (Fixed Assets Purchased during the year / Total Assets)	4.7%	6.9%	(2.2%)
Book value of depreciated assets: initial cost of those assets (NBV of Depreciated assets / initial cost of those assets)	59.0%	60.8%	(1.8%)
Depreciation: Cash flow on asset purchases (Annual Depreciation / Cost of Fixed Assets Purchased)	87.3%	92.7%	(5.4%)
Changes to asset management policies	None	None	None

<b>Major Capital Expenditure Projects</b>	<b>2014/15 Actual \$</b>	<b>2014/15 Budget (Approved in LA) \$</b>	<b>Annual Variance \$</b>
Lower Valley			
– Reverse Osmosis Plant refurbishment	1,200,000	\$1,300,000	(100,000)
– Refurbishment of Feed Water Well Pumps	-	\$456,000	(456,000)
Red Gate Site			
– Construct new Pumping Station	-	\$612,000	(\$612,000)
Cayman Brac			
– Extension of various size water mains	\$783,000	\$1,090,000	(\$307,000)
– Site Preparation	\$24,000	\$246,000	(\$222,000)
Waste Water Collection System			
– CCTV Survey	-	\$1,190,000	(1,190,000)

### **Risk Management**

<b>Key risks</b>	<b>Status of Risk</b>	<b>Actions taken during 2014/15 to Manage risk</b>	<b>Financial Value of risk</b>
Property / Employee / Public Liability / Motor Vehicle	No Identified Change in risk Status	Adequate insurance maintained to mitigate the risk	Value of deductible

### **Explanation of Variances**

#### **Human Capital Measures:**

*Total Full Time Staff Equivalent* - The Authority continues to make a conscious decision regarding staffing and evaluates each open position and ascertain whether it is an essential position. The Authority started the year with 123 employees, six employees left, filled nine vacant positions and welcomed home one scholarship student. There were no new positions added within the Authority over the course of the financial year.



*Staff Turnover / Average Length of Service* – The Authority is committed to providing a positive working environment for staff and strives to reduce turnover by encouraging staff training, internal promotions, scholarships and equitable market compensation, with the ultimate objective to retain valuable staff.

Major Capital Expenditure Projects:

*Island of Grand Cayman – Misc. Extensions, System Connections, New Road expansion* - To continue to provide the high level of water reliability and quality to the residents of Grand Cayman, The Authority installed 376 new meters (2014: 376) at a cost of \$168k (2014: \$184), extended the pipeline 0.53 miles (2014:0.25 miles) at a cost of \$86k (2014: \$25k) and made several purchases of large equipment for \$647k (2014: \$89k) most notably the purchase of two water tankers for the Cayman Brac at a cost of \$300k.

*Cayman Brac - Water Distribution Extension and Expansion of the RO Plant* – The Authority continues its mission to provide the convenience of “piped water” to residents living on the North Side of Cayman Brac. In December 2009, The Authority secured the vesting of 12.58 acres next to the Ashton Ruddy Civic Center on the Bluff to construct a Water Production, Storage and Pumping Facility to better service the residents in Cayman Brac. In October 2013 a full New Works Crew was mobilized to Cayman Brac to commence the upgrades and extensions of the water distribution pipeline. Since mobilization the crew has replaced 1,400 feet (0.85 mile) of pipeline along Bert Marson Drive and installed a total of 26,818 feet (5.1 miles) of new distribution pipeline, investing \$1.3 million into the Cayman Brac infrastructure (2015: \$783k, 2014: \$478k).

*Risk Management* – The Authority recognises the risk associated with normal operations and mitigates this risk by maintaining four comprehensive insurance policies with British Caymanian Insurance, a company associated with Colonial Group International with an A- rating (as published by AM Best).

- Commercial Combined Policy – to protect the physical assets (exclusive of vehicles) of the Authority.
- Comprehensive Vehicle Policy – to protect the fleet assets of The Authority.
- Public / Products Liability Policy – to indemnify The Authority in respect of their legal liability to third parties for Bodily Injury and / or Property Damage arising out of and / or in connection with their activities and / or operations.
- Employer Liability Policy – to protect The Authority in the event that an employee becomes sick or is injured as a result of their employment.

## 5. Summarised Financial Statements

A full set of financial statements for The Authority is provided in the Appendix to this Ownership Agreement.

A summary of the financial statements is as follows.

<b>Operating Statement</b>	<b>2014/15 Actual \$</b>	<b>2014/15 Budget (Approved in LA) \$</b>	<b>Annual Variance \$</b>
Revenue	30,054,952	31,910,666	(1,855,714)
Operating and Administrative Expenses	25,993,540	29,582,948	(3,589,408)
Net Surplus/Deficit	4,061,412	2,327,718	1,733,694

<b>Balance Sheet</b>	<b>2014/15 Actual \$</b>	<b>2014/15 Budget (Approved in LA) \$</b>	<b>Annual Variance \$</b>
Assets	85,027,999	82,160,633	2,867,366
Liabilities	16,673,733	14,913,880	1,759,853
Net Worth	68,354,266	67,246,753	1,107,513

<b>Statement of Cash Flows</b>	<b>2014/15 Actual \$</b>	<b>2014/15 Budget (Approved in LA) \$</b>	<b>Annual Variance \$</b>
Net cash flows from operating activities	8,604,677	6,191,648	2,413,029
Net cash flows from investing activities	(3,973,174)	(4,793,400)	820,226
Net cash flows from financing activities	(2,668,715)	(2,601,754)	(66,961)

Explanation of Variances

Explanations for variances are found in section 4 on page 5.

## 6. Other Financial Information

Detailed below is information about specific financial transaction required to be included in the Ownership Agreement by the *Public Management and Finance Law (2010 Revision)*.

<b>Transaction</b>	<b>2014/15 Actual \$</b>	<b>2014/15 Budget (Approved in LA) \$</b>	<b>Annual Variance \$</b>
Equity Investments into Water Authority - Cayman	Nil	Nil	N/A
Capital Withdrawals from Water Authority – Cayman	Nil	Nil	N/A
Dividend or Profit Distributions to be made by Water Authority – Cayman	100,000	100,000	\$ nil
Government Loans to be made to Water Authority – Cayman	Nil	Nil	N/A
Government Guarantees to be issued in relation to Water Authority – Cayman	Nil	Nil	N/A
Related Party Payments (Non Remuneration) made to Key Management Personnel <sup>1</sup>	Nil	Nil	N/A
Remuneration <sup>2</sup> Payments made to Key Management Personnel	891,628	1,157,000	(262,006)

	<b>2014/15 Actual \$</b>	<b>2014/15 Budget (Approved in LA) \$</b>
No of Key Management Personnel	7	7

Explanation of Variances

Transaction:

As part of the budgeting process, the Authority highlights the annual contribution to Government, which is approved by the Board. Therefore, it is reasonable that there is no variance.

The optimal number of Key Management Personnel identified for The Authority remains at seven (7) as the Authority streamlined operations and reporting structures. As at 30 June 2015, the Key Management Personnel are; the Director,

<sup>1</sup> Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

<sup>2</sup> Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

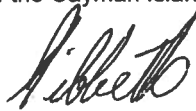
Deputy Director, Financial Controller, Customer Service Manager, Chief Human Resource Manager, Water Resources Engineer and the Information System Manager.

Remuneration for Key Management Personnel is inclusive of base salary, pension and health insurance benefits. No salary adjustments were given and The Authority was able to keep health insurance premiums stable so it is reasonable that actual are slightly lower than budgeted.

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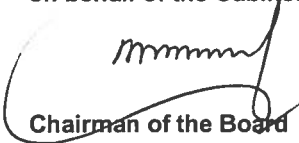
**Agreement**

We jointly agree that this Ownership Agreement accurately documents the ownership performance that The Water Authority of the Cayman Islands achieved for the 2014/15 financial year.



Hon. D. Kurt Tibbetts, OBE, JP

on behalf of the Cabinet



Chairman of the Board

Date: 27 April 2016

**THE WATER AUTHORITY  
OF THE CAYMAN ISLANDS**

**FINANCIAL STATEMENTS  
30 June 2015**

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**Water Authority of the Cayman Islands**  
**STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS**  
**30 June 2015**

These financial statements have been prepared by the Water Authority of the Cayman Islands in accordance with the provisions of the *Public Management and Finance Law, (2013 Revision)* and reference to *Section 17(1)* of the Water Authority Law (1996 Revision). The financial statements comply with International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law, (2013 Revision)*.

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

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

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity as at and for the financial year ended 30 June 2015.

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 30 June 2015;
- (b) fairly reflect the financial position as at 30 June 2015 and comprehensive income as at and for the year ended 30 June 2015; and
- (c) comply with International Financial Reporting Standards adopted by International Accounting Standards Board.

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

Mr. James Gill

*Acting Chairman*  
*Water Authority of the Cayman Islands*

October 29, 2015

Ms. Lori Bergman

*Financial Controller*  
*Water Authority of the Cayman Islands*

October 29, 2015

Dr. Gelia Frederick-van Genderen

*Director*  
*Water Authority of the Cayman Islands*

October 29, 2015

## **Independent Auditors' Report to the Shareholder and Directors**

In accordance with section 60(1)(a)(ii) of the Public Management and Finance Law (2013 Revision), we have audited the accompanying financial statements of The Water Authority of the Cayman Islands (the "Water Authority"), which comprise the statement of financial position as at 30 June 2015, and the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

This report is prepared for and only for the Shareholder and Directors of the Water Authority in accordance with the terms of an engagement letter dated July 13, 2014, 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Water Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Water Authority as at 30 June 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Garnet Harrison

Garnet Harrison  
Acting Auditor General

October 29, 2015

October 29, 2015



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**Water Authority of the Cayman Islands**  
**Statement of Financial Position**  
As at 30 June 2015  
(Stated in Cayman Islands dollars)

	Note	2015	2014
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	5	66,549,656	66,046,757
<b>Total non-current assets</b>		<b>66,549,656</b>	<b>66,046,757</b>
<i>Current assets</i>			
Cash and cash equivalents		12,988,873	11,026,085
Accounts receivable, net	3	3,808,636	4,261,006
Inventory, net	4	1,311,148	1,319,327
Prepaid expenses		369,686	288,856
<b>Total current assets</b>		<b>18,478,343</b>	<b>16,895,274</b>
<b>Total Assets</b>		<b>85,027,999</b>	<b>82,942,031</b>
<b>Liabilities and Shareholder's Equity</b>			
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Loans payable	6,8	7,566,650	10,236,626
Employee benefits, net	9	2,531,000	2,582,000
<b>Total non-current liabilities</b>		<b>10,097,650</b>	<b>12,818,626</b>
<i>Current liabilities</i>			
Accounts payable		2,595,024	1,928,778
Contract retention payable		93,358	45,426
Customers deposits		1,217,679	1,187,586
Loans payable	6,8	2,670,022	2,568,761
<b>Total current liabilities</b>		<b>6,576,083</b>	<b>5,730,551</b>
<b>Total liabilities</b>		<b>16,673,733</b>	<b>18,549,177</b>
<b>Shareholder's Equity</b>			
Contributed capital	7	236,000	236,000
Retained earnings		68,118,266	64,156,854
		68,354,266	64,392,854
<b>Total Liabilities and Shareholder's Equity</b>		<b>85,027,999</b>	<b>82,942,031</b>

On behalf of the Board on October 29, 2015

Mr. James Gill

Dr. Gelia Frederick-van Genderen

Ms. Lori Bergman

Acting Chairman

Director

Financial Controller

The accompanying notes form an integral part of these financial statements



**Water Authority of the Cayman Islands**  
**Statement of Comprehensive Income**  
For the Year Ended 30 June 2015  
(Stated in Cayman Islands dollars)

	Note	2015	2014
<b>Operating Revenue</b>			
Water sales		24,286,469	23,563,980
Sewerage fees		4,263,575	4,170,621
Connection and miscellaneous fees		11,870	5,990
Septage disposal		133,557	130,672
Agency work		31,873	60,648
<b>Total operating revenue</b>		<b>28,727,344</b>	<b>27,931,911</b>
<b>Operating Expenses</b>			
Water purchases / production		8,230,549	8,055,382
Depreciation expense	5	3,338,693	3,441,730
Salaries		2,742,865	2,499,852
Wages		1,017,762	1,453,775
Repairs and maintenance		1,774,621	1,699,422
Electricity		1,194,882	1,245,251
Supplies		810,188	827,228
Impairment of property, plant and equipment	5	-	346,636
Miscellaneous		223,331	155,824
Land lease expense		12,335	12,335
<b>Total operating expenses</b>		<b>19,345,226</b>	<b>19,737,435</b>
<b>Finance Costs</b>			
Loan interest		465,207	578,537
<b>Gross operating profit</b>		<b>8,916,911</b>	<b>7,615,939</b>
<b>Other Income</b>			
Royalties		1,202,937	1,154,877
Other		106,015	196,936
Statutory licencing fees		16,459	59,304
Interest income		2,197	4,573
<b>Total other income</b>		<b>1,327,608</b>	<b>1,415,690</b>
<b>Operating Profit</b>		<b>10,244,519</b>	<b>9,031,629</b>

(continued)

The accompanying notes form an integral part of these financial statements

**Water Authority of the Cayman Islands**  
**Statement of Comprehensive Income (continued)**  
**For the Year Ended 30 June 2015**  
**(Stated in Cayman Islands dollars)**

	Note	2015	2014
<b>Administration Expenses</b>			
Salaries	8	1,945,973	1,880,586
Staff training and benefits		1,353,266	1,290,749
Insurance		880,841	870,595
Miscellaneous		293,674	381,996
Legal and professional fees		198,621	365,694
Telephone and utilities		405,195	340,958
Defined benefit cost	9	197,000	329,000
Information systems		305,841	264,022
Bad debt expense		275,901	232,696
Depreciation expense	5	131,582	131,582
Repairs and maintenance		231,883	125,628
Licenses and dues		133,622	124,416
Office and lab supplies		74,108	77,450
Office rental		3,600	3,600
<b>Total administration expenses</b>		<b>6,431,107</b>	<b>6,418,972</b>
<b>Profit for the year</b>		<b>3,813,412</b>	<b>2,612,657</b>
<b>Other Comprehensive Income/(Loss)</b>			
Remeasurements of defined pension plan	9	248,000	(733,000)
<b>Total Comprehensive Income for the year</b>		<b>4,061,412</b>	<b>1,879,657</b>

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 30 June 2015**  
**(Stated in Cayman Islands dollars)**

	Notes	2015	2014
<b>CONTRIBUTED CAPITAL</b>			
	7		
<b>Balance at beginning of year</b>		236,000	236,000
<b>Balance at end of year</b>		<b>236,000</b>	<b>236,000</b>
<b>RETAINED EARNINGS</b>			
<b>Balance at beginning of year</b>		64,156,854	62,377,197
<b>Total comprehensive income for the year</b>		4,061,412	1,879,657
<b>Contribution to Government</b>	8	(100,000)	(100,000)
<b>Balance at end of year</b>		<b>68,118,266</b>	<b>64,156,854</b>
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>68,354,266</b>	<b>64,392,854</b>

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 30 June 2015**  
**(Stated in Cayman Islands dollars)**

	2015	2014
<b>Cash flows from operating activities</b>		
Comprehensive income for the year	4,061,412	1,879,657
Adjustments to reconcile net income for the year to net cash provided by operating activities:		
Depreciation expense	3,470,275	3,573,312
Impairment of property, plant and equipment	-	346,636
Add/(deduct) net changes in non-cash operating balances:		
Accounts receivable	452,370	246,339
Inventory	8,179	87,512
Prepaid expense	(80,830)	(122,375)
Accounts payable	666,246	207,086
Contract retention payable	47,932	45,426
Interest payable	-	(9,820)
Employee benefits, net	(51,000)	1,062,000
Customer deposits	30,093	25,064
Net cash generated by operating activities	8,604,677	7,340,837
<b>Cash flows from investing activities</b>		
Property, plant and equipment purchased	(3,973,174)	(2,034,544)
Net cash used in investing activities	(3,973,174)	(2,034,544)
<b>Cash flows from financing activities</b>		
Repayment of loans payable	(2,568,715)	(2,639,897)
Contribution to Government	(100,000)	(100,000)
Net cash used in by financing activities	(2,668,715)	(2,739,897)
<b>Net increase in cash and cash equivalents during year</b>	1,962,788	2,566,396
Cash and cash equivalents at beginning of year	11,026,085	8,459,689
<b>Cash and cash equivalents at end of year</b>	12,988,873	11,026,085
<b>Supplemental disclosure for cash flow information:</b>		
Cash paid during the year for interest	(465,207)	(578,537)
Cash received during the year for interest	2,197	4,573

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 30 June 2015**

**I. Establishment and Principal Activities**

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

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

As at 30 June 2015, the Water Authority had 126 employees (2014: 122 employees). The Water Authority is located at 13G Red Gate Road, P.O. Box 1104, KY1-1102, George Town, Grand Cayman, Cayman Islands.

**2. Significant Accounting Policies**

*(a) Statement of compliance*

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

*(b) Basis of preparation*

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

*(c) Functional and presentation currency*

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

*(d) Property, plant and equipment*

*(i) Recognition and Measurement:*

Items of property, plant and equipment are stated at cost less accumulated depreciation and any net accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials, direct labour, related costs to put the assets into service and capitalised borrowing costs.

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 recognized net within other income/other expenses in the statement of comprehensive income.

*(ii) Subsequent costs:*

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

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**2. Significant Accounting Policies (continued)**

*(d) Property, plant and equipment (continued)*

*(iii) Depreciation:*

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

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the useful lives of each part of an item of property, plant and equipment unless the asset is used in the construction of an internally constructed asset in which case the depreciation is capitalised to the internally constructed asset. Land is not depreciated.

The estimated useful lives are as follows:

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

Construction in progress represents property, plant and equipment projects which are not yet completed at the year 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.

*(e) Foreign currency translation*

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

*(f) 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 year 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:

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**2. Significant Accounting Policies (continued)**

*(f) Use of estimates and judgement (continued)*

*(i) Allowance for impairment losses on receivables*

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

*(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 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, rate 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 realized, employee benefit plan assets and liabilities and comprehensive income will be affected.

*(iv) Depreciation and Amortization*

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

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**3. Significant Accounting Policies (continued)**

*(g) 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 capitalized. The interest expense of loan payments is recognised in the statement of comprehensive income using the effective interest rate and or straight line method as appropriate.

*(h) Revenue recognition*

The Water Authority bills its customers monthly for water consumed, sewerage and other services. Revenue derived from such sources is recorded as income when accrued.

*(i) Operating lease*

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

*(j) Financial instruments*

*(i) Financial assets*

The Water Authority initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Water Authority becomes a party to the contractual provisions of the instrument.

The Water Authority derecognises a financial asset when the Water Authority's contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Water Authority is recognised as a separate allocated asset or liability.

*Loans and receivables:*

Loans and receivables comprising accounts receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*Cash and cash equivalents:*

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



**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**2. Significant Accounting Policies (continued)**

*(j) Financial instruments (continued)*

*(ii) Financial liabilities*

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Water Authority becomes a party to the contractual provisions of the instrument.

The Water Authority derecognises financial liabilities when the Water Authority's contractual obligations are discharged, cancelled or expire.

The Water Authority classifies financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans payable, accounts payable, contract retention payable and customer deposits.

*(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.

*(iv) Fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Water Authority measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Water Authority establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cashflow analyses and option pricing models.

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**2. Significant Accounting Policies (continued)**

*(j) Financial instruments (continued)*

*(iv) Fair value measurement (continued)*

*Fair value hierarchy*

The Water Authority measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. The carrying amounts of financial assets and financial liabilities are considered to closely approximate fair value due to their short term nature.

*(k) Inventory*

Inventory consists of consumable spares and water. Consumable spares are accounted for on the 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.

*(l) Employee Benefit Plans*

The Water Authority provides post-employment benefits through defined benefit and defined contribution plans.

*Defined Benefit Plans:*

The Water Authority's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The cost of pensions and other retirement 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, retirement ages of employees, and mortality rates. When the calculation results in a net benefit asset, the recognised asset is limited to the total of any unrecognized past service costs and 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.

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**2. Significant Accounting Policies (continued)**

*(l) Employee Benefit Plans (continued)*

*Defined Benefit Plans (continued):*

Remeasurements of the net defined benefit liability, 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 liability for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the statement of comprehensive income.

The discount rate used to value the defined benefit obligation is based on a combination 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 and the long-term rate of return of plan assets.

*Defined Contribution Plans:*

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

*(m) Accounting standards adopted during the year*

- The amendments to IAS 32 clarify when an entity has a legally enforceable right to off-set as well as clarify, when a settlement mechanism provides for net settlement, or gross settlement that is equivalent to net settlement. The Water Authority adopted the amendments to IAS 32 in its financial statements for the annual period beginning on 1 July 2014. The adoption of amendments to IAS 32 has no impact on the financial statements.

*(n) New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 30 June 2015, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Water Authority, with the exception of:

- IFRS 15, *Revenue from contracts with Customers*, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The extent of the impact of adoption of amendments to IFRS 15 has not yet been determined.

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**2. Significant Accounting Policies (continued)**

*(n) New standards and interpretations not yet adopted (continued)*

- IFRS 9, *Financial Instruments*, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The extent of the impact of adoption of amendments to IFRS 9 has not yet been determined.

**3. Accounts Receivable, net**

	<u>2015</u>	<u>2014</u>
Trade Receivables	5,068,600	5,160,840
Non-Trade Receivables	659,703	743,932
Allowance for Doubtful Accounts	(1,919,667)	(1,643,766)
	<u>CIS 3,808,636</u>	<u>4,261,006</u>

**4. Inventory, net**

	<u>2015</u>	<u>2014</u>
Water Supply and Sewerage Materials	1,250,559	1,250,939
Water Inventory	76,450	84,249
Provision for Obsolete Inventory	(15,861)	(15,861)
	<u>CIS 1,311,148</u>	<u>1,319,327</u>

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**5. Property, plant and equipment**

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

	<u>2015</u>	<u>2014</u>
1. Cayman Brac – Distribution Extension	156,582	112,871
2. Cayman Brac – Site Preparation	60,361	34,761
3. Grand Cayman - District Metering Vaults	6,465	6,465
4. Grand Cayman - Red Gate Pumping Station	1,632	1,632
5. Pump Station # 1 Control Panel	-	35,632
6. Cayman Brac – Emergency Generator	-	27,256
97. Cayman Brac – Pad Mount Transformer	-	12,500
	<u>CIS 225,040</u>	<u>231,117</u>

At 30 June 2015, buildings with a carrying amount of CI\$4,291,615 (2014: CI\$4,401,612) were used as security for loans and borrowings amounting to CI\$642,049 (2014: CI\$896,062) (note 6).

The Water Authority's desalination plants operate under a number of finance lease agreements. At 30 June 2015, the carrying amount of leased plant, included in Water Supply assets, was CI\$8,618,159 (2014: CI\$10,043,563). During the years ended 30 June 2015 and 2014, the Water Authority did not acquire any new desalination plants, however it did refurbish the Lower Valley Plant. The finance lease agreement between the Water Authority and Ocean Conversion (Cayman) Limited relating to the North Sound Plant expired in 2014. On June 8, 2015, approval was obtained from the Board and the Central Tenders Committee (CTC) for renewal of the operating agreement relating to the North Sound Plant for a further 24 months.

During the year the year ended 30 June 2014, the Water Authority determined that the the Lower Valley Plant could not be repaired and was subsequently dismantled. A net impairment loss of CI\$346,636 was recorded against the plant and equipment assets. During the year ended 30 June 2015 the Water Authority contracted Ocean Conversion (Cayman) Limited (OCL) to refurbish that plant at a cost of US\$1,186,585. The total cost of the refurbished plant was CI\$1,169,448.

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

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

		<u>2015</u>						
		<u>Freehold Land</u>	<u>Buildings</u>	<u>Water Supply</u>	<u>Sewage</u>	<u>Other Assets</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>Cost</b>								
Balance at beginning of year		3,555,599	5,499,883	64,734,201	28,340,151	6,462,761	231,117	108,823,712
Additions		-	-	9,791	94,619	646,478	3,222,286	3,973,174
Disposals		-	-	-	-	-	-	-
Transfers between fixed assets		-	150,828	3,041,904	35,631	-	(3,228,363)	-
Balance at end of year	CIS	<u>3,555,599</u>	<u>5,650,711</u>	<u>67,785,896</u>	<u>28,470,399</u>	<u>7,109,239</u>	<u>225,040</u>	<u>112,796,886</u>
<b>Accumulated Depreciation</b>								
Balance at beginning of year		-	1,098,271	23,187,759	12,752,602	5,738,323	-	42,776,955
Depreciation expense		-	109,998	2,309,077	810,790	240,410	-	3,470,275
Disposals		-	-	-	-	-	-	-
Balance at end of year	CIS	<u>-</u>	<u>1,208,269</u>	<u>25,496,836</u>	<u>13,563,392</u>	<u>5,978,733</u>	<u>-</u>	<u>46,247,230</u>
<b>Net Book Value</b>								
at 30 June 2015	CIS	<u>3,555,599</u>	<u>4,442,442</u>	<u>42,289,060</u>	<u>14,907,009</u>	<u>1,130,506</u>	<u>225,040</u>	<u>66,549,656</u>
		<u>2014</u>						
		<u>Freehold Land</u>	<u>Buildings</u>	<u>Water Supply</u>	<u>Sewage</u>	<u>Other Assets</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>Cost</b>								
Balance at beginning of year		3,555,599	5,499,883	64,415,639	28,340,151	6,429,518	13,584	108,254,374
Additions		-	-	-	-	33,243	2,001,301	2,034,544
Disposals		-	-	(1,465,206)	-	-	-	(1,465,206)
Transfers between fixed assets		-	-	1,783,768	-	-	(1,783,768)	-
Balance at end of year	CIS	<u>3,555,599</u>	<u>5,499,883</u>	<u>64,734,201</u>	<u>28,340,151</u>	<u>6,462,761</u>	<u>231,117</u>	<u>108,823,712</u>
<b>Accumulated Depreciation</b>								
Balance at beginning of year		-	988,273	21,899,328	11,949,276	5,485,336	-	40,322,213
Depreciation expense		-	109,998	2,407,001	803,326	252,987	-	3,573,312
Disposals		-	-	(1,118,570)	-	-	-	(1,118,570)
Balance at end of year	CIS	<u>-</u>	<u>1,098,271</u>	<u>23,187,759</u>	<u>12,752,602</u>	<u>5,738,323</u>	<u>-</u>	<u>42,776,955</u>
<b>Net Book Value</b>								
at 30 June 2014	CIS	<u>3,555,599</u>	<u>4,401,612</u>	<u>41,546,442</u>	<u>15,587,549</u>	<u>724,438</u>	<u>231,117</u>	<u>66,046,757</u>

**Water Authority of the Cayman Islands**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2015**

**6. Loans payable**

	Date of Loan	Loan Amount	Original Loan Term*** (Years)	Interest Rate		Current	1-2 yrs	3-5 yrs	TOTAL	
				Rate	At Year End				2015	2014
a) First Caribbean International Bank (Cayman) Limited (FCIB)**										
New Administration Building Loan*	Jun 2007	2,421,500	15	LIBOR + 0.9%	1.45%	257,789	384,260	-	642,049	896,062
North Side Supply Extension & North Side Pumping Facility	Dec 2008	2,505,000	15	LIBOR + 0.9%	1.45%	248,807	510,383	346,008	1,105,198	1,352,546
Credit Facility F	Jun 2009	4,676,000	15	LIBOR + 0.9%	1.45%	464,439	952,714	645,882	2,063,035	2,524,752
Sub-total for FCIB						971,035	1,847,358	991,890	3,810,282	4,773,360
b) Cayman Islands Government (CIG)										
Grand Cayman	Apr 1995	4,822,349	25	0%	0.00%	210,894	421,788	379,341	1,012,023	1,222,917
Sub-total for CIG						210,894	421,788	379,341	1,012,023	1,222,917
c) Ocean Conversion (Cayman) Ltd.* (OCL)										
North Side - Original	Jul 2009	9,176,442	10	6.50%	6.50%	993,979	2,191,925	1,207,144	4,393,048	5,324,692
Red Gate - Upgrade	Jul 2010	3,063,816	7	6.50%	6.50%	494,114	527,205	-	1,021,319	1,484,418
Sub-total for OCL						1,488,093	2,719,130	1,207,144	5,414,367	6,809,110
TOTALS						2,670,022	4,988,275	2,578,375	10,236,672	12,805,387
Less current loans payable									(2,670,022)	(2,568,761)
Non-current loans payable									CIS 7,566,650	10,236,626

(\*) = refer to note 5

(\*\*) = These loans are subject to a letter of undertaking dated December 21, 2000 issued by the Cayman Islands Government.

(\*\*\*) = Commitments per year are based on loan repayment schedules with respective entities and institutions

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**6. Loans payable (continued)**

The Water Authority has an overdraft facility at 4.25% interest per annum with First Caribbean International Bank in the amount of CI\$416,000 (2014: CI\$416,000). At 30 June 2015, \$nil (2014: \$nil) of the overdraft facility was being utilized.

The loans subject to a letter of undertaking by the Government of the Cayman Islands have the following covenants included in the agreements:

1. The Government shall retain full legal and beneficial ownership of the whole issued share capital of the Water Authority at all times.
2. The Government will not permit the Water Authority to pay dividends or authorize capital withdrawals (including, without limitation, withdrawals to make contributions to the Government) to the detriment of the Water Authority's full debt service obligations.
3. No agreements or arrangements will be entered into (whether by the Government, the Water Authority or otherwise) in terms of which any option, right to purchase or right to subscribe, in each case, in respect of any shares in capital of the Water Authority is granted to any third party.

At 30 June 2015, the Water Authority was in good standing with FCIB regarding the above covenants.

As described in note 5, the administration building serves as security for the loan thereon.

**7. Contributed Capital**

The Government provided 12.58 acres of land on Cayman Brac to the Water Authority of the Cayman Islands during the 2009/10 fiscal period at no cost. The fair market value at the time of transfer was CI\$236,000.

**8. Related Party Transactions**

The Government of the Cayman Islands appoints the Chairman and Members to the Water Authority's Governing Board. The following transactions occurred during the year between the Water Authority and the Government of the Cayman Islands.

1. The Water Authority made loan repayments to the Government during the year in the amount of CI\$210,894 (2014: CI\$210,894). The outstanding balance of the loans with Government was CI\$1,012,023 (2014: CI\$1,222,917) at 30 June 2015; refer to note 6.
2. The Water Authority paid a dividend to the Government in the amount of CI\$100,000 (2014: CI\$100,000).
3. The remuneration of directors and other members of key management personnel during the year was CI\$891,628 (2014: CI\$987,994). This amount entirely pertains to short-term employee benefits, namely salary, medical insurance and pension contributions. No loans were issued to key management personnel during the year (2014: nil). There were 7 personnel categorized in 2015 broken down as 6 key management personnel and 1 Director (2014: 6 key management personnel and 1 Director).

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



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**9. Employee Benefits**

*a) Defined Benefit Plan*

The Public Services Pension Plan is managed by the Government of the Cayman Islands through the Public Services Pension Board. The Board is responsible for among other things, administering The Public Service Pensions Fund (the "Fund"), communicating with plan participants and employers, prescribing contribution rates in accordance with the latest actuarial valuation and recommending amendments to the Public Service Pensions Plan (the "Plan") as needed. The current number of employees enrolled under the defined benefit plan is 5 (2014: 5).

The Water Authority recognises the unfunded past service liability as a liability on its financial statements once the actuarial valuation is completed and the actual liability since 1990 (date of establishment) is determined.

The most recent actuarial valuations for IAS 19 reporting was conducted on 11 August 2015, using data as at 01 January 2014. Management use this as best estimate to record the unfunded past service pension liability and the profit and loss charges associated with the plan participation as at and for the year ended 30 June 2015.

The actuarial position is as follows:

	30 June 2015 CIS000's	30 June 2014 CIS000's
Defined benefit obligation	(4,284)	(4,175)
Fair value of plan assets	1,753	1,593
Net liability in financial position, end of year	<u>(2,531)</u>	<u>(2,582)</u>

The present value of the funded obligation changes as follows:

	30 June 2015 CIS000's	30 June 2014 CIS000's
Defined benefit obligation, beginning of year	4,175	3,246
Current service cost	106	166
Interest cost	188	344
Plan participant contributions	23	46
Benefit payments from plan	-	(191)
Remeasurements	(208)	564
Defined benefit obligation, end of year	<u>4,284</u>	<u>4,175</u>

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**9. Employee Benefits (continued)**

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>CIS000's</b>	<b>CIS000's</b>
Fair value of plan at the beginning of year	1,593	1,302
Interest income	73	138
Employer contributions	24	48
Plan participant contributions	23	46
Benefits paid by the plan	-	(191)
Remeasurements	40	255
Administrative expenses	-	(5)
Fair value of plan at the end of year	<u>1,753</u>	<u>1,593</u>

The defined benefit cost included in Profit

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>CIS000's</b>	<b>CIS000's</b>
Current service cost, net of employee contributions	106	166
Net interest cost	115	206
Administrative expenses	-	5
Total defined benefit cost	<u>221</u>	<u>377</u>
Employer contributions recognized in administrative expenses	<u>(24)</u>	<u>(48)</u>
Net defined benefit cost	<u>197</u>	<u>329</u>

The remeasurements included in other comprehensive income

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>CIS000's</b>	<b>CIS000's</b>
Effect of changes in demographic assumptions	8	223
Effect of changes in financial assumptions	(216)	584
Effect of experience adjustments	-	(243)
Effect of changes in actuarial assumptions	-	424
(Return) on plan assets (excluding interest income)	<u>(40)</u>	<u>(255)</u>
Remeasurements	<u>(248)</u>	<u>733</u>

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

	<b>30 June 2015</b>	<b>30 June 2014</b>
Global equities	80%	79%
Bonds	19%	20%
Other / cash	1%	1%
Property	0%	0%

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**9. Employee Benefits (continued)**

The principal actuarial assumptions at the date of valuation:

A. Cost method - Projected Unit Credit

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

	30 June 2015	30 June 2014
Discount rate	4.75%	4.50%
Expected long-term rate of return (net of expense)	7.00%	7.00%
Salary increase	3.50%	3.50%
Future pension increases	2.50%	2.50%
Inflation rate	2.50%	2.50%

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

*b) Defined Contribution 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 year, the Water Authority and its employees paid 5% and 5% (2014: 5% and 5%) respectively of salary contributions to the defined contribution plan. The total employees enrolled in the defined contribution plan is 121 (2014: 117).

The total amount recognised as a employer contributions for the 12 months ended 30 June 2015, inclusive of both the defined benefit and defined contribution plans, was C\$314,155 (2014: C\$307,011). This amount is included as administrative expenses (staff training and benefits).

**10. Leases**

The Water Authority leases a parcel of land in Cayman Brac under an operating lease. Lease payments are currently C\$1,028 per month and are subject to periodic review to reflect open market rental values. The lease was signed in January 2000, and is for a period of thirty years.

Future minimum lease rentals payable follow:

	<u>2015</u>	<u>2014</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	117,181	129,516
	<u>C\$ 178,856</u>	<u>191,191</u>

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**11. 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. Concentrations of credit risks with respect to trade receivables are small as the customer base is large and unrelated.

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\$1,217,679 (2014: CI\$1,187,586).

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>2015</u>	<u>2014</u>
Trade receivables	5,068,600	5,160,840
Non-trade receivables	659,703	743,932
	<u>CI\$ 5,728,303</u>	<u>5,904,772</u>

As at 30 June 2015, an allowance for doubtful receivables of CI\$1,919,677 has been made against accounts receivable (2014: CI\$1,643,765). The aging of trade receivables at 30 June is as follows:

	<u>2015</u>	<u>2014</u>
Current	3,442,850	3,810,315
Between 30 days and 60 days	23,749	47,570
Between 60 days and 90 days	275,451	224,041
Greater than 90 days	1,986,253	1,822,846
	<u>CI\$ 5,728,303</u>	<u>5,904,772</u>

**Water Authority of the Cayman Islands**  
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**11. Financial risk management objectives and policies (continued)**

***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 30 June 2015, accounts payable and interest payable are all due within 3 months of the statements of financial position date. The repayment dates on the loans and borrowings are as described in note 6.

***Market risk***

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

***Interest rate risk***

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

Loans and borrowings are subject to interest rate risk. As outlined in Note 6, the loans and borrowings attracts variable and fixed interest rates based on market interest rates which are reset monthly. Management does not consider there to be a significant interest rate risk due to the low interest environment. As at 30 June 2015, the interest rate profile of the Water Authority's interest-bearing financial instruments were:

	<u>2015</u>	<u>2014</u>
<b>Financial Liabilities</b>		
Fixed rate instruments	6,426,390	8,032,027
Variable rate instruments	3,810,282	4,773,360
	<u>CI\$ 10,236,672</u>	<u>12,805,387</u>

A change of 1% in interest rates throughout the reporting period would have increased/decreased net income by CI\$38,103 (2014: CI\$47,734)

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. Subsequent to 30 June 2015, the market interest rates have remained static and Water Authority has therefore not experienced any adverse effects as a result of interest rate risk.

***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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**12. Financial instruments**

*Fair values*

As at 30 June 2015 and 2014, the carrying amount of cash and cash equivalents, accounts receivable, accounts payable, interest payable and customer deposits approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

The loans payable are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**13. Subsequent events**

In preparing these consolidated financial statements, management has evaluated and disclosed all material subsequent events up to October 29, 2015, being the date that the financial statements were available to be signed.