

**WATER & SEWERAGE AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 SEPTEMBER 2019**

Ernst & Young Services Limited





**WATER AND SEWERAGE AUTHORITY**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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## WATER AND SEWERAGE AUTHORITY

### Statement of Management Responsibilities

Management is responsible for the following:

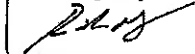
- Preparing and fairly presenting the accompanying financial statements of the Water and Sewerage Authority ("the Authority") which comprise the statement of financial position as at 30 September 2019, the statements of revenue and expenditure, comprehensive loss, changes in net deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Authority keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Authority's assets, detection/prevention of fraud, and the achievement of Authority operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Water & Sewerage Act; Chapter 54:40; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Authority will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

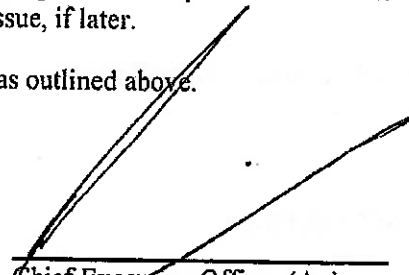
DocuSigned by:



218B30C3E994499

Chairman

29 December 2022



Chief Executive Officer (Ag)  
29 December 2022



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Ernst & Young Services Limited  
P.O. Box 158  
5/7 Sweet Briar Road  
St. Clair, Port of Spain  
Trinidad

Tel: +1 868 628 1105  
Fax: +1 868 622 1153  
www.ey.com

## INDEPENDENT AUDITOR'S REPORT

### TO THE COMMISSIONERS OF THE WATER & SEWERAGE AUTHORITY

#### **Disclaimer of Opinion**

We were engaged to audit the accompanying financial statements of the Water and Sewerage Authority ("the Authority") which comprise the statement of financial position as at 30 September 2019 and the statements of revenue and expenditure, comprehensive loss, changes in net deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We do not express an opinion on these financial statements. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

#### **Basis for Disclaimer of Opinion**

##### *Property, plant and equipment*

As at 30 September 2019, Property, plant and equipment (PPE), net of finance lease assets, reported in the statement of financial position carried a value of \$6,763 million (Refer to Note 3). The Authority was unable to provide an appropriate PPE register to support the existence and completeness of assets recorded at year end. The Authority has not performed a physical verification and useful life exercise for several years. In addition, due to the manner in which the PPE register is maintained, the Authority was unable to appropriately derecognize assets which were decommissioned and replaced during the financial year. Consequently, we were unable to obtain sufficient audit evidence to support the existence, completeness and accuracy of PPE amounting to \$6,763 million as at 30 September 2019.

Included in PPE is plant, machinery and equipment and capital work in progress (CWIP) amounting to \$2,905 million and \$2,906 million, respectively as at 30 September 2019 (Refer to Note 3). We were unable to obtain sufficient audit evidence to conclude on the accuracy and completeness of project costs within the plant, machinery and equipment. We were therefore unable to determine whether any adjustments were required to reclassify costs of an operating nature from PPE to the statement of revenue and expenditure and vice versa. We were unable to conclude on the accuracy of the timing of the transfer of project costs out of CWIP and consequently whether any project costs which resided in CWIP at year end should have been transferred out of CWIP during the year, inclusive of funds received through the Inter-American Development Bank (IDB) loans for the execution of various capital projects. We were unable to determine whether any adjustments may be required in respect of the deferred capital contributions reported in the statement of financial position as at 30 September 2019, the recorded depreciation charge for the year of \$103 million and the accumulated depreciation of \$1,475 million at year end (Refer to Note 3), the deferred capital contributions released to income for the year of \$71 million (Refer to Note 11) and capital commitments disclosed in the notes to the financial statements of \$847 million (Refer to Note 21 (a)).



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## INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF THE WATER & SEWERAGE AUTHORITY

### **Basis for Disclaimer of Opinion**

(Continued)

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

As at 30 September 2019, the Authority has not been able to assess whether borrowing cost amounting to \$92 million of the \$716 million included within finance expenses reported in the statement of revenue and expenditure account are directly attributable to the acquisition, construction or production of qualifying assets and should be capitalized and included within the PPE, in accordance with IAS 23 "Borrowing costs" (Refer to Note 18).

The Authority is in the process of completing and finalizing the regularisation of title and ownership to some of its freehold and leasehold properties due to the non-finalisation of the related registered deeds and/or agreements relating to these properties. As a consequence, as at 30 September 2019 the Authority was unable to fully quantify the value of freehold and leasehold properties in which the negotiated deeds and/or agreements have not been finalised and the estimated liabilities in relation to the completed acquisition of these properties. The Authority has not started the process of reconciling negotiated deeds and/or agreements which have been finalized to the PPE register. We are therefore unable to determine whether freehold and leasehold properties reported within the PPE as at 30 September 2019 are accurate and complete.

#### *Revenue and receivables*

For the year ended 30 September 2019, the Authority recognized water and sewerage rate revenue of \$775 million. As at 30 September 2019, receivables (net of provisions) related to water and sewerage rates reported in the statement of financial position amounted to \$181 million (Refer to Note 6). We were unable to conclude on the accuracy and completeness of the water and sewerage revenue and related receivable balances as at and for the year ended 30 September 2019, as the Authority was unable to provide appropriate documentation to support these balances. We were also unable to conclude on the accuracy and completeness of revenue and receivable balances migrated from Customer Information System (CIS) to Customer Care and Billings (CC&B) as at 1 May 2017, as management is unable to provide sufficient, appropriate audit evidence to remediate issues identified during data migration testing.

Business Enhancement Unit (BEU) revenue amounted to \$13 million in respect of works undertaken by the Operations Division) (Refer to Note 15). The Authority has been unable to determine whether all contracts existing within the Authority are captured in the BEU database for the purposes of applying IFRS 15- Revenue from Contracts with Customers. As a result, we are unable to conclude on the completeness and accuracy of BEU revenue recognised for the year ended 30 September 2019. We were unable to establish whether any adjustments are required to the recorded revenue of \$13 million for the year to comply with the requirements of International Financial Reporting Standards.



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## INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF THE WATER & SEWERAGE AUTHORITY

### **Basis for Disclaimer of Opinion**

(Continued)

#### *Accounts payable and accruals*

Accounts payable and accruals amounted to \$4,188 million as presented in the statement of financial position as at 30 September 2019 (Refer to Note 14). The Authority has not established robust accounting procedures for the timely and complete identification and recording of third party creditor liabilities. As a result, we were unable to perform appropriate audit procedures to conclude on the completeness and accuracy of the recorded accounts payable and accruals balance of \$4,188 million, the corresponding assets/expenses and value added tax (VAT) recoverable in respect of input VAT amounting to \$354 million (Refer to Note 6) recorded as at 30 September 2019.

#### *IAS 19 participant data*

As at 30 September 2019, the Authority has recorded an Employee benefits asset of \$57 million and an Employee benefits obligation of \$307 million. We were unable to obtain sufficient audit evidence to conclude on the accuracy of the Employee benefits asset and the Employee benefits liability recorded as at 30 September 2019, due to several anomalies identified in the participant data used by the Independent Actuaries to perform the valuation of the pension plan and termination benefit in accordance with IAS 19 "Employee benefits".

#### *Personnel expenses*

For the financial year ended 30 September 2019, the Authority incurred personnel expenses amounting to \$1,217 million (Refer to Note 17). We were unable to conclude on the accuracy of personnel expenses for the year ended 30 September 2019, as the Authority was unable to provide sufficient audit evidence to support these balances. We were also unable to conclude on the accuracy and completeness of payroll data migrated from HR Plus to the Oracle Payroll Module as at 1 January 2018, as management is unable to provide sufficient, appropriate audit evidence to remediate issues identified during data migration testing.

#### *Opening balances*

The Authority has not quantified the potential impact on the opening balances of the unresolved matters noted above, which were also included in our disclaimer of opinion in the prior financial year ended 30 September 2018. Therefore, we were unable to obtain sufficient audit evidence to conclude on the accuracy of comparative amounts included in the statement of financial position as at 30 September 2018, and the statements of revenue and expenditure, comprehensive loss, changes in net deficit and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. Since the opening balances are a key component in the determination of the financial performance and cash flows for the year ended 30 September 2019, we were unable to determine whether adjustments might have been necessary in respect of the total comprehensive loss for the year ended 30 September 2019 reported in the statement of comprehensive loss and the net cash flows reported in the statement of cash flows for the year ended 30 September 2019.



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## INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF THE WATER & SEWERAGE AUTHORITY

### Responsibilities of management 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.

### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



Port of Spain  
TRINIDAD:  
29 December 2022



WATER AND SEWERAGE AUTHORITY

STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2019

ASSETS	Notes	2019 \$'000	2018 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	3	10,367,752	10,386,004
Financial assets held at amortised cost	4	1,080,639	1,000,031
Employee benefits asset	12	56,819	73,937
Accounts receivable and prepayments	6	<u>1,275</u>	<u>2,832</u>
		<u>11,506,485</u>	<u>11,462,804</u>
<b>Current assets</b>			
Inventories	5	58,686	58,710
Accounts receivable and prepayments	6	530,060	476,922
Restricted cash	7	31,590	31,591
Cash and cash equivalents	8	<u>266,003</u>	<u>113,189</u>
		<u>886,339</u>	<u>680,412</u>
<b>Total assets</b>		<u>12,392,824</u>	<u>12,143,216</u>

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

WATER AND SEWERAGE AUTHORITY

STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 \$'000	2018 \$'000
<b>Revenue from contracts with customers</b>			
Water rates		731,880	700,641
Sewerage rates		43,169	43,460
Water abstraction revenue		2,056	3,468
BEU revenue		<u>13,325</u>	<u>10,607</u>
<b>Total revenue from contracts with customers</b>	15	<u>790,430</u>	<u>758,176</u>
<b>Other income</b>			
Interest income		81,097	106,386
Deferred capital contributions released to income	11	70,912	71,280
Sundry income	16	24,875	129,944
Contingent rent	10	18,002	23,670
Government operating subventions		<u>1,773,434</u>	<u>1,804,136</u>
<b>Total other income</b>		<u>1,968,320</u>	<u>2,135,416</u>
<b>Total revenue</b>		<u>2,758,750</u>	<u>2,893,592</u>
<b>Expenses</b>			
Personnel	17	1,216,758	1,294,797
Supplies and services	17	327,572	275,490
Administration	17	132,993	105,270
Depreciation	3	378,388	385,223
Premises	17	113,376	120,122
Transport and plant	17	<u>32,962</u>	<u>24,214</u>
		<u>2,202,049</u>	<u>2,205,116</u>
<b>Net operating surplus</b>		556,701	688,476
Finance expenses	18	<u>(715,725)</u>	<u>(776,859)</u>
<b>Net deficit for the year</b>		<u>(159,024)</u>	<u>(88,383)</u>

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

WATER AND SEWERAGE AUTHORITY

STATEMENT OF COMPREHENSIVE LOSS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 \$'000	2018 \$'000
<b>Net deficit for the year</b>		(159,024)	(88,383)
Remeasurement losses on termination benefit plan	12(b)	(11,695)	(6,180)
Remeasurement losses on defined benefit plan	12(a)	<u>(10,130)</u>	<u>(6,447)</u>
<b>Total comprehensive loss for the year</b>		<u>(180,849)</u>	<u>(101,010)</u>

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

WATER AND SEWERAGE AUTHORITY

STATEMENT OF CHANGES IN NET DEFICIT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	General reserve \$'000	Accumulated deficit \$'000	Net deficit \$'000
<b>Year ended 30 September 2019</b>			
Balance as at 1 October 2018	113,560	(3,104,727)	(2,991,167)
Prior period adjustment through retained earnings (Note 2(a))	-	(15,848)	(15,848)
Total comprehensive loss for the year	<u>-</u>	<u>(180,849)</u>	<u>(180,849)</u>
<b>Balance as at 30 September 2019</b>	<b><u>113,560</u></b>	<b><u>(3,301,424)</u></b>	<b><u>(3,187,864)</u></b>
<b>Year ended 30 September 2018</b>			
Balance as at 1 October 2017	113,560	(3,003,717)	(2,890,157)
Total comprehensive loss for the year	<u>-</u>	<u>(101,010)</u>	<u>(101,010)</u>
<b>Balance as at 30 September 2018</b>	<b><u>113,560</u></b>	<b><u>(3,104,727)</u></b>	<b><u>(2,991,167)</u></b>

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

WATER AND SEWERAGE AUTHORITY

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	1,302,490	1,599,326
Interest received		81,097	106,386
Interest paid		<u>(712,913)</u>	<u>(776,104)</u>
Net cash inflows generated from operating activities		<u>670,674</u>	<u>929,608</u>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment, net of finance leases		(360,136)	(491,399)
(Increase)/decrease in financial assets held at amortised cost		(80,608)	243,303
Decrease in restricted cash	7	<u>1</u>	<u>1,929</u>
Net cash outflows used in investing activities		<u>(440,743)</u>	<u>(246,167)</u>
<b>Cash flows from financing activities</b>			
Proceeds of deferred capital contributions	11	98,097	28,716
Payment of water sale lease obligations	10	(108,746)	(99,628)
Payment of vehicle lease obligations	9(j)	(953)	(1,200)
Proceeds from borrowings		-	508,667
Repayment of borrowings		(107,128)	(1,077,868)
(Decrease)/increase in desalination facility/advance		<u>(1,157)</u>	<u>602</u>
Net cash outflows used in financing activities		<u>(119,887)</u>	<u>(640,711)</u>
<b>Increase in cash and cash equivalents</b>		110,044	42,730
<b>Cash and cash equivalents</b>			
- at the beginning of the year		<u>(270,826)</u>	<u>(313,556)</u>
- at the end of the year	19	<u>(160,782)</u>	<u>(270,826)</u>

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

**1. Incorporation and nature of business**

The Water and Sewerage Authority (“the Authority”) was established and is domiciled in the Republic of Trinidad and Tobago, under the Water & Sewerage Act, Chapter 54:40 with responsibility for:

- a) the provision of an adequate and reliable water supply and the treatment and disposal of wastewater, and
- b) the development and control of water supply and sewerage facilities, and the conservation and proper use of water resources throughout Trinidad and Tobago.

The registered address of the Authority is Farm Road, Valsayn, St. Joseph. The Authority is subject to regulation from the Regulated Industries Commission (RIC), under the Regulated Industries Commission Act, 1998.

In accordance with Clause 20.1.1 (ii) of the Interim Operating Agreement (“IOA”), which ended on 4 April 1999, the Government of the Republic of Trinidad and Tobago (“GORTT”) assumed responsibility for the servicing of all debts and liabilities of WASA, inclusive of all borrowings, existing or accrued at the effective date of the IOA. As such, GORTT provides direct funding to the Authority to facilitate servicing of these obligations. This is separately presented on the statement of financial position as GORTT subordinated borrowings.

**2. Significant accounting policies**

**a) Basis of preparation**

These financial statements are expressed in thousands of Trinidad and Tobago dollars (except when otherwise indicated) and have been prepared on the historical cost basis.

*Statement of compliance*

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

*Going concern*

As at 30 September 2019, the Authority has an accumulated deficit of \$3,301 million (2018: \$3,104 million), loan and lease indebtedness (short term and long term) \$7,505 million (2018: \$7,718 million) and its current liabilities exceed current assets by \$7,252 million (2018: \$6,403 million). The Authority's operations and solvency are heavily dependent on funding and financing guarantees provided by GORTT. These financial statements have been prepared on the going concern basis on the assumption that funding will continue to be made available to the Authority by GORTT and the Authority will continue to receive adequate funds to finance future operations.

*Comparative information*

The following changes in presentation was made to the comparative information of the previous year (2018) in these financial statements to allow consistent presentation with the current year. These changes had no impact on the net assets and operating profit reported for the year ended 31 December 2019.

	2018 – As previously reported	Re- classification	2018 – Adjusted
Non-current to current borrowings reclassification			
<b>Non-current liabilities</b>			
Borrowings	<u>509,716</u>	<u>(508,667)</u>	<u>1,049</u>
<b>Current liabilities</b>			
Current portion of borrowings	<u>2,658,990</u>	<u>508,667</u>	<u>3,167,657</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

**Changes in accounting policy and disclosures**

*New and amended standards and interpretations*

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for the new and amended standards and interpretations - IFRS and IFRIC (International Financial Reporting Interpretations Committee) as of 1 October 2018. The adoption of these new standards, interpretations and amendments did not have an impact on the financial position or performance of the Authority.

The Authority has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, which are effective for annual periods beginning on or after 1 January 2018.

*New and amended standards and interpretations not affecting amounts reported and/or disclosures in the financial statements*

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions – effective 1 January 2018
- Amendments to IAS 40 Transfers of Investment Property – effective 1 January 2018
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration – effective 1 January 2018

*Annual improvements to IFRS standards 2014–2016 cycle – Effective 1 January 2018*

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters’.
- IAS 28 ‘Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice’.



WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies** (continued)

a) **Basis of preparation** (continued)

*Standards issued and effective*

*The Authority applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.*

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specified the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Authority adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 October 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Authority elected to apply the standard to all contracts as at 1 October 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of accumulated deficit. Therefore, the comparative information was not restated and continues to be reported under IAS 18.

As highlighted in the audit report, the Authority is unable to quantify the impact of the adoption of IFRS 15 to the Business Enhancement Unit (BEU) revenue stream. These unresolved matters have been brought forward from the prior financial year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies** (continued)

a) **Basis of preparation** (continued)

*Standards issued and effective* (continued)

**IFRS 9 - Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018 and addresses the accounting principles for the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Authority has applied IFRS 9 retrospectively, with the initial application date of 1 October 2018. This has resulted in changes in accounting policies. As permitted by the provisions of IFRS 9, the Authority elected not to restate comparative figures. Any adjustments arising from the adoption of IFRS 9 have been recognised directly in the accumulated deficit as of 1 October 2018 and are further described below. Hedge accounting is not applicable to the Authority.

IFRS 7R 'Financial Instruments- Disclosures Revised' - Effective 1 January 2018  
To reflect the differences between IFRS 9 and IAS 39, IFRS 7R Financial Instruments- Disclosures Revised was updated, and the Authority has adopted it, together with IFRS 9, for the year beginning 1 October 2018. Changes include transition disclosures as shown in this table.

*Transition Disclosures*

The following sets out the impact of adopting IFRS 9 on the statement of financial position and accumulated deficit, including the effect of replacing the incurred credit loss calculations under IAS 39 with the Expected Credit Loss (ECL) calculation under IFRS 9.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

*Standards issued and effective* (continued)

*IFRS 9 - Financial Instruments* (continued)

A reconciliation between the carrying amounts as originally stated as at 30 September 2018 and the adoption of IFRS 9 as of 1 October 2018 is, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 30 September 2018:

	Per IAS 39 at 30 September 2018 \$000	Re- measurement \$000	Impact per IFRS 9 at 1 October 2018 \$000
<b>Other receivables</b>			
VAT recoverable	—	<u>15,848</u>	<u>15,848</u>
Accumulated deficit	—	<u>15,848</u>	<u>15,848</u>

i) *Classification and measurement*

Under IFRS 9, debt financial instruments are subsequently measured at fair value through statement of revenue and expenditure (FVRE), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: The Authority's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Authority's business model was made as of the date of initial application, 1 October 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 October 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 impacted Investments in zero coupon Government bonds which were previously classified as Held to maturity financial assets. These instruments have been classified and measured as Debt instruments at amortised cost under IFRS 9, as they give rise to cash flows representing solely payments of principal and interest and are held to collect contractual cash flows.

2. **Significant accounting policies** (continued)

a) **Basis of preparation** (continued)

*Standards issued and effective* (continued)

i) *Classification and measurement* (continued)

The Authority has not designated any financial liabilities as at fair value through statement of revenue and expenditure. There are no changes in classification and measurement for the Authority's financial liabilities.

ii) *Impairment*

The adoption of IFRS 9 has fundamentally changed the Authority's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of \$15.8 million relating to the Authority's value added tax (VAT) receivable included within other receivables. The increase in allowance resulted in adjustment to opening accumulated deficit as seen in the table above.

*Standards issued but not yet effective*

The Authority is currently assessing the potential impact of these new standards and interpretations and will adopt them when they are effective.

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – effective 1 January 2019
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures – effective 1 January 2019
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement – Effective 1 January 2019
- IFRIC 23 – Uncertainty over Income Tax Treatments – effective 1 January 2019
- IFRS 16 Leases – effective 1 January 2019
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – effective 1 January 2020
- Amendments to IFRS 3 – Definition of business – effective 1 January 2020
- Amendment to IFRS 16 – Covid-19-Related Rent Concessions – effective 1 June 2020
- Amendments to IAS 1 and IAS 8 – Definition of material – effective 1 January 2020
- Amendments to References in the Conceptual Framework in IFRS Standards – effective 1 January 2020

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. Significant accounting policies (continued)

a) Basis of preparation (continued)

*Standards issued but not yet effective* (continued)

- IBOR reform Phase 2 – Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – effective 1 January 2021
- Amendments to IFRS 16 – Covid-19-Related Rent Concessions – effective 1 January 2021
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use – effective 1 January 2022
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract – effective 1 January 2022
- Amendments to IFRS 3 Business Combinations – effective 1 January 2022
- IFRS 17 Insurance Contracts- Effective 1 January 2023
- Amendments of Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – effective 1 January 2023
- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current – effective 1 January 2023
- Amendments to IAS 8 Definition of Accounting Estimates – effective 1 January 2023
- Amendments to IAS 12 Deferred Tax Assets & Liabilities arising from a Single Transaction – effective 1 January 2023

*Annual improvements to IFRS standards 2015-2017 cycle – Effective 1 January 2019*

- IFRS 3 ‘Business Combinations and IFRS 11 Joint Arrangements – IFRS 3 clarifies remeasurements in previously held interests in a joint operation which the entity obtains control and IFRS 11 clarifies no remeasurement in previously held interests in a joint operation which the entity obtains joint control’.
- IAS 12 ‘Income Taxes – Clarification on the requirements for all income tax consequences of dividends’.
- IAS 23 ‘Borrowing Costs – Clarification on outstanding borrowing costs relating to assets held for sale’.

**2. Significant accounting policies (continued)**

**a) Basis of preparation (continued)**

*Standards issued but not yet effective (continued)*

*Annual improvements to IFRS standards 2018-2020 cycle – Effective 1 January 2022*

- IFRS 1 ‘First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter’.
- IFRS 9 ‘Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities’.
- IFRS 16 ‘Leases – Lease incentives’.
- IAS 41 ‘Agriculture – Taxation in fair value measurements’.

The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

**b) Significant accounting estimates, assumptions and judgments**

The preparation of the financial statements in conformity with IFRS necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at year end as well as affecting the reported income and expenses for the year.

Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future years.

**Judgements**

In the process of applying the Authority’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements.

# WATER AND SEWERAGE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019 (Continued)

### 2. Significant accounting policies (continued)

#### b) Significant accounting estimates, assumptions and judgments (continued)

##### Judgements (continued)

###### *Operating lease commitments – Authority as lessee*

The Authority has entered into vehicle and equipment leases. The Authority has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the asset, that it does not obtain all the significant risks and rewards of ownership of these assets and accounts for the transactions as operating leases.

###### *Finance lease commitments – Authority as lessee*

Leases are classified as finance leases whenever based on management's evaluation of the terms and conditions of the arrangement, the terms of the lease transfer substantially all of the risks and reward of ownership from the lessor. All other leases are classified as operating leases.

##### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These assumptions and estimates are based on parameters existing and available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Authority.

###### *Property, plant and equipment*

Management exercises judgment in determining whether costs incurred can accrue significant future economic benefits to the Authority to enable the value to be treated as capital expenditure. Further judgment is applied in the annual review of the residual values and useful lives of all categories of property, plant and equipment and the resulting depreciation determined thereon.

###### *Pension and termination benefits plan*

The cost of the defined benefit pension plan and termination benefits plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 12.

2. **Significant accounting policies (continued)**

b) **Significant accounting estimates, assumptions and judgments (continued)**

**Estimates and assumptions (continued)**

*Impairment of debt instruments at amortized cost instruments (policy applicable under IFRS 9)*

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in difference levels of allowances.

The Authority's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The element of the ECL models that are considered accounting judgements and estimates include:

- The Authority's internal credit grading model, which assigns Probability of Default (PDs) to the individual grades;
- The Authority's criteria for assessing if there has been a significant increase in credit risk and is so, allowances for financial instruments should be measured on a Long-term Expected Credit Losses (LTECL) basis and the qualitative assessment;
- The segmentation of financial instruments when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, Exposure of Default (EADs) and Losses Given Default (LGDs); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

*Impairment of accounts receivables*

Management exercises judgement in determining the adequacy of provisions for accounts receivable balances for which collections are considered doubtful. Judgement is used in the assessment of the extent of the recoverability of long outstanding balances. Actual outcomes may be materially different from the provision established by management. The accounting policies related to impairment of accounts receivables are disclosed in Note 2(b).



WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

b) **Significant accounting estimates, assumptions and judgments (continued)**

**Estimates and assumptions (continued)**

*Fair value of financial instruments*

As described in Note 2(g), derivative financial instruments are measured at fair value. When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation technologies including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

c) **Current versus non-current distinction**

The Authority presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Authority classifies all other liabilities as non-current.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

**2. Significant accounting policies (continued)**

**d) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (where applicable). Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, only when it is probable that future economic benefits will accrue to the Authority and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of revenue and expenditure when incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The costs of assets under construction are classified under 'capital work in progress' (CWIP). Depreciation is charged when the construction is substantially completed and the assets are ready for use.

Gains or losses arising from the de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of revenue and expenditure when the asset is derecognized.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

With the exception of land and capital work in progress, depreciation is charged on all other assets on the straight-line basis at rates estimated to write off these assets over their expected useful lives. The useful lives and salvage values used are as follows:

Categories	Useful life (years)	Salvage value (%)
<i>Land and building</i>		
Structures	30 - 50	15
Reservoirs, river intakes, boreholes, and wells	20 - 85	—
<i>Plant, machinery, equipment and motor vehicles</i>		
Mains, lateral lines, pumps, pumping station equipment, stores equipment, water treatment equipment, meters, laboratory equipment, other equipment, trucks, transport equipment, tool-shop and garage equipment	6 - 50	—
<i>Office furniture and equipment</i>		
Office equipment, communication and computer equipment	3 - 6	—
Desalination plant leased asset - Desalination Company of Trinidad and Tobago	22*	—
Desalination plant leased asset - Seven Seas Trinidad Unlimited	13.7*	—

\* The useful lives of the desalination plants were determined based on the modified lease term of the respective water sale agreements, which is shorter than the economic useful lives of these facilities. (Refer to Note 10)

2. **Significant accounting policies (continued)**

e) **Financial instruments**

Measurement categories of financial assets and liabilities.

The Authority classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 2(f) below.
- FVOCI, and;
- FVSRE.

The Authority does not have any financial instruments measured at FVOCI nor FVSRE.

***Financial assets***

a) *Initial recognition and subsequent measurement*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Amortised cost and effective interest method*

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies** (continued)

e) **Financial instruments** (continued)

*Financial assets* (continued)

a) *Initial recognition and subsequent measurement* (continued)

*Amortised cost and effective interest method* (continued)

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognized in the statement of revenue and expenditure and included in other income Note 16.

b) *Impairment of financial assets*

*Overview of the ECL principles*

As described in Note 2(a), the adoption of IFRS 9 has fundamentally changed the Authority's loss impairment method by replacing IAS 39's incurred loss approach with a forward looking ECL approach. From 1 October 2018, the Authority has been recording the allowance for expected credit losses for all debt financial instruments not held at FVPL. Equity instruments are not subject to impairment under IFRS 9.

The Authority uses the general probability of default of approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in the sub-section below "the calculation of ECLs". The Authority's policies for determining if there has been a significant increase in credit risk are set out in Note 2(b).

The 12mECL is the portion of the LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies** (continued)

e) **Financial instruments** (continued)

*Financial assets* (continued)

b) *Impairment of financial assets*

*Overview of the ECL principles* (continued)

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of the financial instruments. The Authority's policy for grouping financial assets measured on a collective basis is explained in Note 2(b).

The Authority has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 2(b).

*The calculation of ECLs*

The mechanics of the ECL method are summarized below:

- Stage 1 The 12mECL is calculated as the portion of the LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Authority calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- Stage 2 When a financial instrument has shown a significant increase in credit risk since origination, the Authority records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3 For financial instruments considered credit-impaired (as defined in Note 2(b)), the Authority recognizes the lifetime expected credit losses. The method is similar to that for Stage 2 assets, with the PD set at 100%.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

e) **Financial instruments (continued)**

*Financial assets (continued)*

*Forward looking information*

In its ECL models, the Authority relies on a broad range of forward-looking information as economic inputs such as GDP growth, unemployment rate and Central Bank rates. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the reporting date. To reflect this, qualitative adjustment or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 2(b).

*Under IAS 39 (Policy applicable before 1 October 2018)*

The Authority assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Authority first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Authority determines that no objective evidence of impairment exists in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not yet been incurred) reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

2. **Significant accounting policies** (continued)

e) **Financial instruments** (continued)

*Under IAS 39 (Policy applicable before 1 October 2018) (continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of income. Interest income (recorded as finance income in the statement of income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recorded impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to in the statement of revenue and expenditure.

***Financial liabilities***

*Initial recognition and subsequent measurement*

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

The Authority determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. The Authority's financial liabilities include other payables, bank overdrafts, deposit liabilities and debt securities in issue. The Authority has not designated any financial liabilities upon initial recognition as at fair value through statement of income.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

f) **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivative financial instruments are recorded in the statement of financial position at fair value as assets when favourable to the Authority and liabilities when unfavourable. Fair value adjustments and realised gains and losses are recognized in the statement of revenue and expenditure.

g) **Borrowing costs**

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the costs of those assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the cost of those assets. All other borrowing costs are recognised in the statement of revenue and expenditure in the period in which they are incurred.

h) **Inventories**

Inventories are stated at the lower of weighted average cost and net realisable value. Cost represents all costs incurred in bringing each item to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

i) **GORTT funding**

These funds are provided by the Government of the Republic of Trinidad and Tobago (GORTT) under its annual recurrent estimates of expenditure and to fund certain capital expenditures such as that under the Public Sector Investment Programme.

Funding from GORTT relating to recurrent and/or operating expenditures of the Authority are recognised as income in the statement of revenue and expenditure (presented as 'government operating subventions'), to match the related costs that it is intended to compensate. Where the funding relates to the funding of an asset, it is included as 'deferred capital contributions' and released to income in equal amounts over the expected useful life of the related asset.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

j) **Foreign currency translation**

These financial statements are presented in Trinidad and Tobago dollars (expressed in thousands), which is the Authority's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at the rate of exchange ruling at year end. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions are recognized in the statement of revenue and expenditure.

k) **Taxation**

- i) Under the Water & Sewerage Authority (Tax Exemption) Order, 1990, the Authority is exempt from the payment of stamp duty, customs duty and corporation taxes.
- ii) Under the Value Added Tax Act, the water and sewerage services provided by the Authority are zero-rated.

l) **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include cash and bank balances, net of bank overdrafts and other short-term financing facilities with original maturity of three months or less.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

m) **Employee benefits**

The Authority operates a defined benefit plan for its daily paid employees, the assets of which are held in a separate trustee-administrated fund. The pension accounting costs for the plan have been assessed using the projected unit credit method.

Under this method the costs of providing pensions is charged to the statement of revenue and expenditure so as to spread the regular cost over the service lives of the employees in accordance with the advice of qualified actuaries.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The pension plan is funded by contributions from employees and the Authority, taking into account the recommendations of independent qualified actuaries. These recommendations are based on valuations, which are performed every three years, the last of which was carried out as of 30 September 2019, which revealed that the plan was adequately funded.

The Authority also operates a termination benefit plan for its daily paid employees. Under this plan a lump sum benefit is paid to such employees upon retirement (through age or ill health) or death. The premiums are funded by contributions by the Authority. The expected costs of these benefits are accounted for over the period of employment, using an accounting methodology similar to that for the defined benefit plan.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

n) **Borrowings**

All loans and borrowings are recognized at cost (plus capitalised interest where applicable), being the fair value of the consideration received, net of transaction costs. After initial recognition, these borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and discount or premium on settlement. Gains and losses are recognised in the statement of revenue and expenditure when the liability is derecognised as well as through the amortisation process.

o) **Revenue recognition**

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Authority expects to be entitled in exchange for those goods or services. The Authority has generally concluded that it is the principal in its revenue arrangements as it controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimate and assumptions relating to revenue from contracts with customers are provided in Note 2(b) and Note 15.

Revenue is measured at the fair value of the consideration received, taking into account discounts and rebates. The following specific recognition criteria apply to the relevant category of revenue:

i) **Government operating subventions**

Subventions relating to operating activities are recognised as income on a systematic and rational basis over the periods in which the related expenses are incurred.

ii) **Deferred contributions: GORTT**

As described in Note 2(i) above, an amount equivalent to the depreciation charge on the related property, plant and equipment is released to income over the expected useful life of the asset.

# WATER AND SEWERAGE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019 (Continued)

### 2. Significant accounting policies (continued)

#### o) Revenue recognition (continued)

##### iii) Water and sewerage rates

The Authority recognizes revenue from water and sewer services over time when there is complete satisfaction of the service where the customer simultaneously receives and consumes the benefits provided by the Authority.

Water and sewerage rates which are billed in advance are deferred in the statement of financial position and recognised as revenue in the month when the services are provided. Customers are categorized into various classes and are billed based on consumption at rates governed by the Tariff Book established by the Regulated Industries Commission.

##### iv) Water abstraction

Water abstraction revenues comprises revenue earned from ground water (wells) as well as surface water (rivers) which is commercially utilized. Customers are categorized into four (4) categories by the Authority:

- Ground Agriculture
- Surface Agriculture
- Ground Industrial/Commercial
- Surface Industrial/Commercial.

Specific rates are applied for each category as stipulated by the Regulated Industries Commission under the Public Utility Commission Order based on the customer's consumption with a floor amount charged when consumption is below a set threshold. This is billed on a monthly basis with revenue being recognized in the month the service is provided.

##### v) Rental income

The Authority sub-leases various properties to lessees for which rental income is obtained. The lessees are charged based on the sub lease agreement that governs the applicate rate/s and period of the sub-lease.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

**2. Significant accounting policies (continued)**

**o) Revenue recognition (continued)**

vi) BEU Revenue

BEU revenue comprises revenue under four (4) categories based on arrangements established by the Business Enhancement Unit (BEU) and undertaken by the Operations Division.

- Rechargeable Jobs
- Recoverable Jobs
- Sale of Water
- De-sludging

Each arrangement has clearly defined roles and responsibilities of the BEU which is defined by the contract whether written or verbal for the billing and collection of funds. Negotiated rates between the customer and the Authority are applied for each job and revenue is recognized as the service is provided.

vii) Interest income

Interest income is accounted for on the accrual's basis, unless recoverability is in doubt.

viii) Sundry income

Income is also received from a range of other activities earned in respect of work undertaken on behalf of other agencies. This income is accounted for as the work is performed.

**p) Trade and other receivables**

Trade and other receivables with credit terms of 14-30 days are recognised and carried at original invoice amounts less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of outstanding amounts are considered doubtful. Bad debts are written-off as incurred.

**q) Trade and other payables**

Liabilities for trade and other amounts payable, which are normally settled on 30-90-day terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Authority.

# WATER AND SEWERAGE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019 (Continued)

### 2. Significant accounting policies (continued)

#### r) Provisions

Provisions are recorded when the Authority has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Restructuring provisions are recognized only when the Authority has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

When the Authority can reliably measure the outflow of economic benefits in relation to a specific matter and considers such outflows to be probable, the Authority records a provision against the matter. Given the subjectivity and uncertainty of determining the probable amount of losses, the Authority takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgment is required to conclude on these estimates.

#### s) Impairment of assets

##### *Non-financial assets*

The Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Authority makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to dispose and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are separately disclosed in the statement of revenue and expenditure.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. **Significant accounting policies (continued)**

t) **Impairment of assets (continued)**

*Non-financial assets (continued)*

Disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 2)
- Debt instruments at fair value through statement of revenue and expenditure and OCI (Note 2)
- Accounts receivables (Note 6)

*Debt instruments*

The Authority recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through statement of revenue and expenditure. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in the credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

*Water and sewer receivables and water abstraction receivables*

The Authority applies a simplified approach in calculating ECLs. Therefore, the Authority does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Authority has established a provision based on the information currently available as at the date of the approval of these financial statements as this represents factual information of receivables which have and have not been collected. The provision for water and sewer receivables and water abstraction receivables represents the balance of funds which have not been collected as at the date of the approval of these financial statements.



WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

2. Significant accounting policies (continued)

t) Impairment of assets (continued)

*Water and sewer receivables and water abstraction receivables (continued)*

The Authority considers a financial asset in default when internal or external information indicates that the Authority is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Authority. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Other receivables*

The Authority applies the simplified approach in calculating the ECLs for other receivables as these are current assets expected to be settled within the following twelve (12) months. In line with the ECL model for water and sewer and water abstraction receivables, the Authority does not track changes in credit risk but instead recognizes a loss allowance based on the lifetime ECLs at each reporting date. An expected credit loss is established for all other receivables, except VAT recoverable, that have not been collected as at the date of the approval of these financial statements. At each reporting date, the Authority performs a historical analysis of their VAT recoverable balance taking into consideration information available as at the date the financial statements are approved to determine whether an expected credit loss is required to be recorded for its VAT recoverable account.

u) Leases

*Operating leases*

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases.

Payments made under operating leases are charged to the statement of revenue and expenditure on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

2. **Significant accounting policies (continued)**

u) **Leases (continued)**

*Finance leases*

Leases for property, plant and equipment where the Authority assumes substantially all the risks and benefits incidental to ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the fair value of the leased asset or if lower at the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding.

The corresponding rental obligations, net of finance charges represent the obligation under the finance lease. The interest element of the finance charge is charged to the statement of revenue and expenditure over the lease period.

Property, plant and equipment acquired under a finance leasing contract is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

v) **General reserve**

The general reserve represents equity arising from the formation of the Authority in 1965 through the transfer of assets from various municipal corporations.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

3. Property, plant and equipment

	Land & buildings \$'000	Plant, machinery & equipment \$'000	Leased assets - Desalination plants \$'000	Motor vehicles \$'000	Office furniture & equipment \$'000	Capital work in progress (CWIP) \$'000	Total \$'000
<b>At 30 September 2019</b>							
Cost	1,808,120	4,379,628	4,621,213	73,188	70,607	2,905,904	13,858,660
Accumulated depreciation	<u>(860,533)</u>	<u>(1,475,041)</u>	<u>(1,016,690)</u>	<u>(70,424)</u>	<u>(68,220)</u>	—	<u>(3,490,908)</u>
Net book amount	<u>947,587</u>	<u>2,904,587</u>	<u>3,604,523</u>	<u>2,764</u>	<u>2,387</u>	<u>2,905,904</u>	<u>10,367,752</u>
<b>Net book amount</b>							
1 October 2018	990,766	2,954,480	3,825,202	4,245	4,250	2,607,061	10,386,004
Additions	6,495	53,423	—	—	1,307	298,843	360,068
Asset reclassification	—	(373)	—	373	—	—	—
Disposals and other adjustments	—	68	—	—	—	—	68
Depreciation charge	<u>(49,674)</u>	<u>(103,011)</u>	<u>(220,679)</u>	<u>(1,854)</u>	<u>(3,170)</u>	—	<u>(378,388)</u>
30 September 2019	<u>947,587</u>	<u>2,904,587</u>	<u>3,604,523</u>	<u>2,764</u>	<u>2,387</u>	<u>2,905,904</u>	<u>10,367,752</u>
<b>At 30 September 2018</b>							
Cost	1,801,625	4,326,578	4,621,213	72,815	69,300	2,607,061	13,498,592
Accumulated depreciation	<u>(810,859)</u>	<u>(1,372,098)</u>	<u>(796,011)</u>	<u>(68,570)</u>	<u>(65,050)</u>	—	<u>(3,112,588)</u>
Net book amount	<u>990,766</u>	<u>2,954,480</u>	<u>3,825,202</u>	<u>4,245</u>	<u>4,250</u>	<u>2,607,061</u>	<u>10,386,004</u>
<b>Net book amount</b>							
1 October 2017	1,040,450	2,987,324	4,045,881	6,165	8,814	2,190,438	10,279,072
Additions	—	75,208	—	—	324	416,623	492,155
Disposals and other adjustments	—	(756)	—	756	—	—	—
Depreciation charge	<u>(49,684)</u>	<u>(107,296)</u>	<u>(220,679)</u>	<u>(2,676)</u>	<u>(4,888)</u>	—	<u>(385,223)</u>
30 September 2018	<u>990,766</u>	<u>2,954,480</u>	<u>3,825,202</u>	<u>4,245</u>	<u>4,250</u>	<u>2,607,061</u>	<u>10,386,004</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

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

The carrying value of property, plant and equipment held under finance leases at 30 September 2019 amounted to \$3,605 million (2018: \$3,825 million). This amount relates to the Desalination Company of Trinidad and Tobago (Desalcott) and Seven Seas Trinidad Unlimited (Seven Seas) desalination plants leased assets which has been capitalized in accordance with IAS 17 "Leases".

Borrowing costs capitalised within property, plant and equipment for the current period amounted to \$0.494 million (2018: \$0.775 million).

4. <b>Financial assets held at amortised cost</b>	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
IOA operator loan (Note 9 a)		
11¼% zero coupon bond 2001 – 2021	364,997	328,087
VSEP bond (Note 9 b)		
11¼% zero coupon bond 2001 – 2026	45,927	41,285
Citicorp fixed rate bond (Note 9 h)		
6.10% zero coupon bond 2011 – 2031	<u>669,715</u>	<u>630,659</u>
	<u>1,080,639</u>	<u>1,000,031</u>
Gross carrying amount as at 30 Sept 2019	1,080,639	
ECL allowance	<u>—</u>	
Net exposure as at 30 Sept 2019	<u>1,080,639</u>	
Gross carrying amount as at 1 October 2018	1,000,031	
ECL allowance	<u>—</u>	
Net exposure as at 1 October 2018	<u>1,000,031</u>	

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

4. **Financial assets held at amortised cost (continued)**

	2019	2018
<b>Non-current portion</b>	<b>\$'000</b>	<b>\$'000</b>
Financial assets at amortized cost maturing in more than one year	<u>1,080,639</u>	<u>1,000,031</u>
<b>Current portion</b>		
Financial assets at amortized cost maturing in less than one year	<u>—</u>	<u>—</u>
<b>Financial assets measured at amortised cost</b>		
Government bonds	<u>1,080,639</u>	<u>1,000,031</u>

These financial assets are tied to various borrowings with maturities falling in between 2021 to 2031 (inclusive).

5. **Inventories**

	2019	2018
	<b>\$'000</b>	<b>\$'000</b>
Pipes, fittings and other materials	57,470	54,130
Chemicals and other consumables	<u>5,567</u>	<u>6,133</u>
	63,037	60,263
Less: Provision for obsolete and slow-moving items	<u>(4,351)</u>	<u>(1,553)</u>
	<u>58,686</u>	<u>58,710</u>

The inventory provision charge for the year totaled \$2.8 million (2018: \$1.1 million) and is presented within supplies and services expenses within “stock valuation adjustments and provisioning” (Note 17).

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

	2019	2018
6. Accounts receivable and prepayments	\$'000	\$'000
Water and sewerage rate receivables (gross)	721,660	666,751
Water abstraction receivables (gross)	<u>55,308</u>	<u>54,973</u>
	776,968	721,724
Less: expected credit loss	<u>(600,975)</u>	<u>(569,115)</u>
	<u>175,993</u>	<u>152,609</u>
Other receivables and prepayments:		
Amounts due from GORTT	324	76,584
BEU receivables	77,616	65,332
Value added tax recoverable	354,085	239,165
Miscellaneous receivables	13,820	13,589
Staff loan and advances	9,222	10,556
Prepayments	548	1,871
Meter installation receivables	<u>5,001</u>	<u>4,974</u>
	460,706	412,071
Less: expected credit loss	<u>(105,364)</u>	<u>(84,926)</u>
	<u>355,432</u>	<u>327,145</u>
Total accounts receivable and prepayments	<u>531,335</u>	<u>479,754</u>
Presented on the statement of financial position as follows:		
Non-current	1,275	2,832
Current	<u>530,060</u>	<u>476,922</u>
	<u>531,335</u>	<u>479,754</u>

The non-current portion of accounts receivables and prepayments relates to loans and advances provided to staff which is due after one (1) year but within five (5) years from the end of the reporting period.

As at 30 September 2019, accounts receivables at a value of \$706.3 million (2018: \$654 million) were impaired and fully provided for. The movements in the provision for impairment of receivables were as follows:

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

(Continued)

6. Accounts receivable and prepayments (continued)

	2019 \$'000	2018 \$'000
Balance brought forward	654,041	597,641
Effect of adoption of IFRS 9	15,848	-
Charge for the year (Note 17)	41,861	65,290
Amounts written back/recoveries	<u>(5,411)</u>	<u>(8,890)</u>
Balance carried forward	<u>706,339</u>	<u>654,041</u>

2019

	Water and sewer \$'000	Water abstraction \$'000	Other \$'000	Total \$'000
<b>Balance at 1 October 2018</b>	517,335	51,780	84,926	654,041
Effect of adoption of IFRS 9	-	-	15,848	15,848
Charge for the year (Note 17)	29,160	8,217	4,484	41,861
Amounts written back/recoveries	<u>(5,517)</u>	<u>-</u>	<u>106</u>	<u>(5,411)</u>
<b>Balance as at 30 September 2019</b>	<u>540,978</u>	<u>59,997</u>	<u>105,364</u>	<u>706,339</u>

2018

	Water and Sewer \$'000	Water abstraction \$'000	Other \$'000	Total \$'000
<b>Balance at 1 October 2017</b>	461,749	51,443	84,449	597,641
Charge for the year (Note 17)	64,870	337	83	65,290
Amounts written back/recoveries	<u>(9,284)</u>	<u>-</u>	<u>394</u>	<u>(8,890)</u>
<b>Balance as at 30 September 2018</b>	<u>517,335</u>	<u>51,780</u>	<u>84,926</u>	<u>654,041</u>

For accounts receivables, the Authority establishes an allowance for ECLs using a methodology that considers information subsequent to the reporting period. Aging of customer balances is not a criterion reliably used for the determination of credit risk or provisioning.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

6. **Accounts receivable and prepayments (continued)**

As at 30 September 2019, the aging analysis of water and sewerage rate and water abstraction receivables (net) due and not impaired is as follows:

<b>2019</b>	<b>Within 1 year \$'000</b>	<b>Over 1 year \$'000</b>	<b>Total \$'000</b>
Domestic	84,553	16,854	101,407
Industrial	23,848	5,825	29,673
Commercial	30,488	4,330	34,818
Other	<u>(1,713)</u>	<u>11,808</u>	<u>10,095</u>
	<u>137,176</u>	<u>38,817</u>	<u>175,993</u>

**2018**

Domestic	65,147	24,147	89,294
Industrial	32,192	5,830	38,022
Commercial	19,171	2,628	21,799
Other	<u>(5,233)</u>	<u>8,727</u>	<u>3,494</u>
	<u>111,277</u>	<u>41,332</u>	<u>152,609</u>

<b>7. Restricted cash</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
a) South Water Project loan	3,815	3,816
b) Charge on escrow accounts		
- IOA loan	23,743	23,743
- VESP bond	<u>4,032</u>	<u>4,032</u>
	<u>31,590</u>	<u>31,591</u>

**Notes:**

- a) The proceeds from the South Water Project loan was placed in an interest-bearing account at the Central Bank as per the loan agreement. Access to these funds is subject to specific drawdown procedures, approval by senior officials of the Authority and an independent engineering auditor.
- b) The above charge on escrow accounts were created by the Authority arising out of a Trust Deed as security for the payment and discharge of the interest amounts on due dates. These funds are held in an account at RBC Trust (Trinidad and Tobago) Ltd.



WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

(Continued)

<b>8.</b>	<b>Cash and cash equivalents</b>	<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
	Cash on hand and at bank	<u>266,003</u>	<u>113,189</u>

Cash at bank earns interest based on the daily floating deposit rates at the respective banks.

		Non-current			2019	2018
		Current	2-5 years	> 5 years		
		\$'000	\$'000	\$'000	\$'000	
<b>9.</b>	<b>Borrowings</b>					
	(a) IOA operator loan	456,419	—	456,419	456,419	
	(b) VESP bond	99,327	—	99,327	99,327	
	(c) South water project bonds	20,168	—	20,168	60,505	
	(d) North water project bonds	76,943	—	76,943	107,720	
	(e) Citicorp recurrent funding	—	—	—	10,972	
	(f) Recurrent funding	137,090	—	137,090	162,012	
	(g) North water Project bonds (refinanced)	430,522	—	430,522	428,521	
	(h) Citicorp fixed rate bond	1,332,827	—	1,332,827	1,332,560	
	(i) Republic long term loan	508,667	—	508,667	508,667	
	(j) Lease obligations	<u>831</u>	<u>592</u>	<u>1,423</u>	<u>2,003</u>	
	<b>Total</b>	<u><b>3,062,794</b></u>	<u><b>592</b></u>	<u><b>3,063,386</b></u>	<u><b>3,168,706</b></u>	

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

**9. Borrowings (continued)**

As at 30 September 2019, the Authority was not compliant with the loan covenants related to borrowings described under Notes 9(a) to 9(i). The Authority has defaulted on the terms of these loan arrangements due to cross default provisions.

All borrowings disclosed under Notes 9(a) to 9(i) were classified as current liabilities in the statement of financial position as at 30 September 2019, as the Authority did not have an unconditional right to defer settlement of these liabilities for at least twelve months after the reporting period, and the Lenders/Trustees had the ability to demand immediate repayment of any principal and interest due in relation to these borrowings. The Lenders/Trustees did not demand immediate repayment of the borrowings as at 30 September 2019 or subsequent to the reporting date, up to the date of approval of these financial statements.

Subsequent to year end and up to the date of approval of these financial statements, the Authority has not remedied these defaults and remain non-compliant with respect to the loan covenants described above. Accordingly, the Lenders/Trustees have the ability to demand immediate repayment.

**a. IOA operator loan**

On 7 November 2001, the Authority refinanced the \$450 million IOA operator loan by issuing a bond with a face value of \$456.4 million. The bond was underwritten by Citicorp Merchant Bank Limited and is repayable via a single bullet payment in November 2021.

There was a three-year moratorium on interest payments from the issue date. The deferred interest was paid by six equal semi-annual payments commencing from year 3.5 to the 6th anniversary. Regular interest payments followed on the outstanding principal and deferred interest from year 3.5 and thereafter semi-annually in arrears. The applicable interest rate is 13.10% to year 1.5 and 11.75% thereafter through to year 2021.

The bond is secured by zero coupon securities with a maturity value equivalent to the principal at maturity. GORTT has provided a guarantee of an amount equal to 100% of the annual interest payment due on the bond.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

9. **Borrowings (continued)**

a. **IOA operator loan (continued)**

Upon refinancing of the IOA \$450 million loan, the zero-rated coupon bonds, which were previously four (4) separate bonds, were consolidated into one (1) bond as presented in Note 4.

	2019 \$'000	2018 \$'000
Current portion	<u>456,419</u>	<u>456,419</u>

b. **VESP bond**

On 31 December 2001, the Authority refinanced the VESP (1998) bond with Republic Finance & Merchant Bank Limited by issuing a bond with a face value of \$99.3 million, part proceeds of which were used to repay the existing VESP (1998) bond. The new bond was underwritten by Citicorp Merchant Bank Limited and is repayable with a single bullet payment in December 2026.

There was a three-year moratorium on interest payments from the issue date. The deferred interest was repaid by ten equal semi-annual payments commencing from year 3.5. Regular interest payments followed on the outstanding principal and deferred interest from year 3.5 and thereafter semi-annually in arrears. The interest rate is fixed at 11.75%.

The bond was secured by zero coupon securities with a maturity value equivalent to the principal at maturity (refer to Note 4). GORTT has provided a guarantee of an amount equal to 100% of the annual interest payment due on the bond.

	2019 \$'000	2018 \$'000
Current portion	<u>99,327</u>	<u>99,327</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

9.	<b>Borrowings (continued)</b>	<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>c. South Water Project bonds</b>		
	RBTT Merchant Bank Limited:		
	Principal balance	—	—
	Capitalised interest	—	—
		—	—
	Trinidad and Tobago Central Depository Limited:		
	Principal balance	<u>20,168</u>	<u>60,505</u>
	Total	<u>20,168</u>	<u>60,505</u>

**Phase 1**

The finance for Phase 1 of the South Water Project was provided by the RBTT Merchant Bank Limited. The bond of \$300 million was issued on 25 September 1998 and matured on 25 September 2018. The principal amount of \$354.8 million (inclusive of capitalised interest of \$54.8 million) loan was repaid via a bullet payment on 25 September 2018.

Interest is charged at the rate of 11.50% per annum and is charged on a half-yearly basis on 25 March and 25 September of each year. Interest was capitalised up to 25 March 2000 and was due and payable from 25 September 2000. The interest payments are secured by an unconditional GORTT guarantee.

The principal amount (inclusive of capitalised interest) is secured by semi-annual sinking fund payments of \$3.8 million commencing on 25 September 2000 and ending on 25 September 2018 (refer to Note 4).

**Phase 2**

The finance for Phase 2 of the South water project was provided by FINCOR. The bond of \$343 million was issued in two tranches of \$110 million and \$233 million on 7 October and 1 November 1991, respectively and matured on 7 October 2019.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

9. Borrowings (continued)

c. South Water project bonds (continued)

Phase 2 (continued)

Interest is charged at the rate of 11.45% per annum during the first ten years of the loan, from 7 October 1999 to 7 October 2009, and 12.00% per annum during the last ten years of the loan, from 7 April 2010 to 7 October 2019. Interest is charged on a half-yearly basis on 7 April and 7 October of each year (commencing on 7 October 2000 in respect of both tranches). Interest was capitalised up to 7 April 2000 and was due and payable with effect from 7 October 2001.

The principal is repayable in twenty semi-annual instalments of \$20.2 million each, commencing 7 April 2010 and ending 7 October 2019. Both principal and interest payments are secured by an unconditional GORTT guarantee.

d. North water project bonds	2019	2018
	\$'000	\$'000
Trinidad and Tobago Central Depository Limited:		
Principal balance	<u>76,943</u>	<u>107,720</u>

This project relates to the upgrade of the water and wastewater infrastructure, primarily in North Trinidad.

Phase 1

The finance for Phase 1 of the North water project was initially provided by a bond floated by the Unit Trust Corporation of Trinidad and Tobago ("UTC"). The Authority refinanced this bond in 2005 (Refer to Note 9h) via a new fifteen (15) year bond issue of \$435 million from the Central Bank of Trinidad and Tobago.

Phase 2

The finance for Phase 2 of the North water project was provided by a bond floated by FINCOR.

The amount of \$330 million was disbursed on 21 November 2001. Interest is payable semi-annually in arrears at a fixed rate of 11.50%. There was a three (3) year moratorium on interest payments with the interest being accrued and capitalised semi-annually, subsequently payable semi-annually in arrears.

There was a five (5) year moratorium on principal repayment. The principal balance is repayable by thirty (30) equal semi-annual payments commencing 5½ years after issue and ending on 21 November 2021. Both principal and interest are secured by an unconditional GORTT guarantee.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

9. Borrowings (continued)

e. Citicorp recurrent funding	2019 \$'000	2018 \$'000
Citicorp Merchant Bank Limited: Principal balance	<u>          -</u>	<u>10,972</u>

The proceeds of this bond were used to finance the recurrent expenditure of the Authority.

The amount of \$145 million was disbursed on 14 May 2004 on a fifteen (15) year term. Interest is payable semi-annually in arrears at the rate of 5.85% per annum, commencing 14 November 2005. The principal balance is repayable by twenty-eight (28) equal semi-annual payments commencing 14 November 2005 and ending on the 14 May 2019. Both principal and interest are secured by an unconditional GORTT guarantee. The balance of \$10.97 million was settled during the financial year ended 30 September 2019.

f. Recurrent funding	2019 \$'000	2018 \$'000
Trinidad and Tobago Central Depository Limited: Principal balance	137,500	162,500
Deferred charges	<u>(410)</u>	<u>(488)</u>
	<u>137,090</u>	<u>162,012</u>

The proceeds of this bond were used to finance existing overdraft facility and to provide additional finance to the Authority.

The loan was disbursed on 21 December 2004 on a twenty (20) year term. Interest is payable semi-annually in arrears at the rate of 6.175% per annum, commencing 20 June 2005. The principal balance is repayable by forty (40) semi-annual payments commencing 20 June 2005 and ending on the 21 December 2024. Both principal and interest are secured by an unconditional GORTT guarantee.

WATER AND SEWERAGE AUTHORITY

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(Continued)

9. Borrowings (continued)

g. North water project bonds (refinanced)	2019 \$'000	2018 \$'000
Central Bank of Trinidad and Tobago:		
Principal balance	432,220	432,220
Deferred charges	<u>(1,698)</u>	<u>(3,699)</u>
	<u>430,522</u>	<u>428,521</u>

The Authority refinanced the North Water Phase 1 \$330 million bond (Note 9 d) via a new bond issue of \$435 million, issued in three tranches corresponding to the refinancing dates of the existing tranches and with a tenor of fifteen (15) years ending in 2020. The tranches were disbursed during the period June to October 2005. The first and second tranches were disbursed on 6 June 2005 and 3 August 2005 in the amounts of \$125.0 million and \$192.2 million, respectively.

The final tranche (3rd tranche) was disbursed on the 10 October 2005 in the amount of \$115.0 million.

The proceeds of this loan were used to refinance the outstanding balance of the existing North Water Project 1 bond of \$330 million for the financing of the first phase of the Strategic Schemes for Service delivery improvement.

The bonds in each of the 1st Tranche, 2nd Tranche and 3rd Tranche bear interest from their respective issue dates at a fixed rate of 6.35% per annum over a fifteen (15) year term with interest payable semi-annually in arrears.

The principal balance of each tranche is repayable in a single bullet payment fifteen (15) years from the respective issue dates. Both principal and interest are secured by an unconditional GORTT guarantee.

h. Citicorp fixed rate bond	2019 \$'000	2018 \$'000
Principal balance	1,335,900	1,335,900
Deferred charges	<u>(3,073)</u>	<u>(3,340)</u>
Principal balance (net)	<u>1,332,827</u>	<u>1,332,560</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

9. Borrowings (continued)

h. Citicorp fixed rate bond (continued)

The proceeds of this bond were used to finance the Authority's capital expenditure to improve the water supply to the population, a universal metering programme and transformation and restructuring exercise.

The bond was issued on 28 March 2011 on a twenty (20) year term at the fixed rate of 6.95% per annum. Interest is payable semi-annually in arrears, commencing 28 September 2011.

The principal amount is secured by a 20 year Zero Coupon Bond Sinking Fund (refer to Note 4) of \$401.7 million invested at an interest rate of 6.10% capitalized semi-annually commencing 28 March 2011 and is repayable by a single bullet payment at maturity on 27 March 2031.

Both principal and interest are secured by an unconditional GORTT guarantee.

i. Republic Bank long term loan

	2019	2018
	\$'000	\$'000
Republic Finance & Merchant Bank Limited:		
Principal balance	<u>508,667</u>	<u>508,667</u>

The loan was disbursed on 8 May 2018 on a ten (10) year term. Interest is payable semi-annually in arrears and the principal balance is repayable by twenty (20) semi-annual payments both commencing 8 November 2018.

Both principal and interest were secured by an unconditional GORTT guarantee.

The proceeds of the loan were used to pay financing costs and to repay the amounts due under the Republic fixed rate note.

On 8 May 2018, the Authority refinanced the \$616 million fixed rate note (refer to Note 9i) after CLICO cancelled their participation of \$107 million.



WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

9.	<b>Borrowings (continued)</b>	<b>2019</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>j. Vehicle lease obligations</b>		
	<b>Finance lease obligations:</b>		
	Balance brought forward	2,003	2,447
	Additions	373	756
	Repayments/adjustments	<u>(953)</u>	<u>(1,200)</u>
	Balance carried forward	1,423	2,003
	Amounts due within one year	<u>(831)</u>	<u>(954)</u>
	Amount due after one year	<u>592</u>	<u>1,049</u>
	<b>Minimum lease payments:</b>		
	Principal and interest:		
	- Due within one year	889	1,054
	- Due after one year but not more than five years	<u>618</u>	<u>1,090</u>
	Total minimum lease payments	1,507	2,144
	Less: Finance charges element	<u>(84)</u>	<u>(141)</u>
	Present value of minimum lease payments	<u>1,423</u>	<u>2,003</u>

The above represents finance lease agreements undertaken by the Authority for the purchase of motor vehicles for certain employees which carry terms of three (3) years and bears interest rates as at 30 September 2019 ranging from 6.00% to 9.25% per annum (2018: 6.00% to 8.00%).

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

10. Water sale agreement lease obligations	2019 \$'000	2018 \$'000
a. Desalination Company of Trinidad and Tobago	4,055,200	4,153,930
b. Seven Seas Water Trinidad Unlimited	<u>385,914</u>	<u>395,149</u>
	<u>4,441,114</u>	<u>4,549,079</u>
Amount due within one year	120,680	108,359
Amounts due after one year	<u>4,320,434</u>	<u>4,440,720</u>
	<u>4,441,114</u>	<u>4,549,079</u>
Contingent rent recognized in Statement of Revenue and Expenditure:		
a. Desalination Company of Trinidad and Tobago	(18,780)	(24,525)
b. Seven Seas Water Trinidad Unlimited	<u>778</u>	<u>855</u>
	<u>(18,002)</u>	<u>(23,670)</u>
<b>a. Desalination Company of Trinidad and Tobago</b>		
<b>Finance lease obligations:</b>		
Balance brought forward	4,153,930	4,246,669
Repayments	(99,444)	(91,372)
Foreign exchange adjustment (Note 18)	<u>714</u>	<u>(1,367)</u>
Balance carried forward	4,055,200	4,153,930
Amounts due within one year	<u>(109,149)</u>	<u>(99,090)</u>
Amount due after one year	<u>3,946,051</u>	<u>4,054,840</u>
<b>Minimum lease payments:</b>		
Due within one year	449,645	448,376
Due within two to five years	1,794,893	1,794,734
Due over five years	<u>5,497,705</u>	<u>5,946,822</u>
Total minimum lease payments	7,742,243	8,189,932
Less: Finance charges element	<u>(3,687,043)</u>	<u>(4,036,002)</u>
Present value of minimum lease payments	<u>4,055,200</u>	<u>4,153,930</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

**10. Water sale agreement lease obligations (continued)**

**a. Desalination Company of Trinidad and Tobago (continued)**

On 25 August 1999 the Authority entered into a contract with the Desalination Company of Trinidad and Tobago ("Desalcott") for the Company, to build, own and operate a desalination facility (the "Facility") at Point Lisas; comprising of desalination units, supporting infrastructure, auxiliaries and sub-systems, together with suitable storage facilities, for desalination of seawater with a continuous and reliable generation of at least 109,090 m<sup>3</sup>/day of high quality water for sale to the Authority at a contracted price.

This contract is effective from 29 November 1999 (the effective date) and has an original term of the earlier of four (4) years and three (3) months from the effective date or until the date of commencement of the commercial operation of the facility at the completion of Phase 5, whichever is the earliest, a period of twenty (20) years thereafter and such other additional period as may be extended under the contract. The agreement will then be effective unless terminated earlier by mutual agreement of both parties. At the expiration of the contractual term, the ownership of the facility shall be transferred to the Authority in consideration for the amount of three million United States dollars (US\$3,000,000).

The Authority may exercise its option to purchase the whole or part of the Facility at any time after the expiry of ten (10) years from the actual commercial operation date of the Facility at the completion of phase 5, or where the Facility or any part thereof is being sold, transferred or otherwise disposed of, or where the Authority terminates the agreement to purchase desalinated water.

The price which the Authority will then be obligated to pay will be the net value of the business at that time as determined by an independent appraiser, jointly selected by the Authority and Desalcott.

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**10. Water sale agreement lease obligations (continued)**

**a. Desalination Company of Trinidad and Tobago (continued)**

A Supplemental Water Sale Agreement (SWSA) was executed on 19 January 2010 between WASA and Desalcott for the purchase of 40 million imperial gallons per day (MIGD) effective 18 April 2010 which after much deliberation was mutually terminated by both parties and replaced with an Amended Water Sale Agreement (AWSA) executed on 6 November 2012 and takes effect from 1 January 2012. The AWSA included provisions for the purchase of 40 MIGD of desalinated water from Desalcott and the supply of 40 MIGD at the earliest date possible by Desalcott upon which a new price will be determined by the Co-ordinating Committee. In accordance with the AWSA, the Authority may seek to exercise the option to purchase the facility any time after the 1 August 2014 at a price as per the terms of the AWSA. The agreement further provided that the Water Sale Agreement (WSA) and the Clarifications shall continue until 31 December 2036.

Effective 1 January 2012, a price of US 97 cents per cubic metre of desalinated water was agreed by both parties and remained in effect until 27 November 2014 when Desalcott supplied to WASA the 40 MIGD of desalinated water. The new price being paid from this date was US \$1 per cubic metre. The new minimum quantity of 40 MIGD was delivered to WASA by Desalcott on 27 November 2014. In accordance with IAS 17 "Leases", the Authority accounted for the new terms of the WSA as a modification of the lease. A net gain of \$161 million was recognized in the statement of revenue and expenditure as at 27 November 2014.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

(Continued)

10. Water sale agreement lease obligations (continued)

	2019	2018
	\$'000	\$'000
<b>b. Seven Seas Water Trinidad Unlimited</b>		
<b>Finance lease obligations:</b>		
Balance brought forward	395,149	403,537
Repayments	(9,302)	(8,257)
Foreign exchange adjustment (Note 18)	<u>67</u>	<u>(131)</u>
Balance carried forward	385,914	395,149
Amounts due within one year	<u>(11,531)</u>	<u>(9,269)</u>
Amount due after one year	<u>374,383</u>	<u>385,880</u>
<b>Minimum lease payments:</b>		
Due within one year	95,430	95,421
Due within two to five years	381,721	381,687
Due over five years	<u>503,457</u>	<u>598,834</u>
Total minimum lease payments	980,608	1,075,942
Less: Finance charges element	<u>(594,694)</u>	<u>(680,793)</u>
Present value of minimum lease payments	<u>385,914</u>	<u>395,149</u>

On 7 May 2010 the Authority entered into an agreement with Seven Seas Water Trinidad Unlimited (Seven Seas) for the supply of potable quality water to the Point Fortin site. Seven Seas agreed to provide, own, install and operate one or more Desalination Plants to supply the agreed 20, 833 cubic meters per day (m<sup>3</sup>/d) of product water at a cost of US\$2.30 per cubic meter of water.

This initial Water Sale Agreement (WSA) was for a period of thirty-six (36) months, however the project was halted, and did not proceed further to the Construction Phase. On 7 October 2010, the Authority and Seven Seas re-entered into negotiations resulting in the first amendment to the initial WSA.

The amendments resulted in an extension of the agreement period to one hundred and twenty (120) months, changes in price to USD1.67 per cubic meter of water from month one (1) through sixty (60) and USD1.65 from month sixty-one (61) to one hundred and twenty (120). There were also amendments to the responsibilities of the Supplier and Client sections.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

10. Water sale agreement lease obligations (continued)

b. Seven Seas Water Trinidad Unlimited Finance lease obligations: (continued)

Subsequently on 11 January 2013 there was a Second Amendment to the initial WSA which resulted in a modification of certain terms of the WSA namely the change in the agreement period to one hundred and fifty months (150). On 29 January 2014 the third Amendment was executed. On 27 July 2013, the Point Fortin Desalination Plant began operations producing and delivering the first potable "product water" to the Authority.

The Fourth Amendment referred to as the Expansion Phase was executed on 3 September 2015. This amendment referenced upgrade to certain equipment in the System in order to expand to a capacity of 25,379 m<sup>3</sup>/d of potable water. Additionally, the terms of the agreement was extended to two hundred months (200). The Fourth Amendment also included a modification to the consideration for the guaranteed minimum water of 20,833 m<sup>3</sup>/d to USD 1.55 per cubic meter from months one hundred and fifty one (151) to month two hundred (200). The plant expansion was completed in 24 July 2016. All water produced above 20,833 m<sup>3</sup>/d up to 27,917 m<sup>3</sup>/d is billed to the Authority at a price of US\$0.95/m<sup>3</sup>.

11. Deferred capital contributions	2019 \$'000	2018 \$'000
Balance brought forward	2,728,127	2,770,691
Receipts during the year	98,097	28,716
Release to income	<u>(70,912)</u>	<u>(71,280)</u>
Balance carried forward	2,755,312	2,728,127
Amounts due within one year	<u>(70,355)</u>	<u>(70,426)</u>
Amounts due after one year	<u>2,684,957</u>	<u>2,657,701</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

	2019 \$'000	2018 \$'000
<b>12. Employee benefits (asset)/liability</b>		
Pension benefits asset (refer to note a)	(56,819)	(73,937)
Termination benefits liability (refer to note b)	306,596	269,908

**(a) Pension benefits asset**

i) Net asset in the statement of financial position is derived as follows:

Present value of defined benefit obligation	677,232	640,261
Fair value of plan assets	<u>(734,051)</u>	<u>(714,198)</u>
Net defined benefit asset	<u>(56,819)</u>	<u>(73,937)</u>
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit asset	(73,937)	(87,138)
Net pension cost	20,004	20,053
Re-measurement loss/(gain) recognised in statement of comprehensive loss	10,130	6,447
Contributions paid	<u>(13,016)</u>	<u>(13,299)</u>
Closing defined benefit asset	<u>(56,819)</u>	<u>(73,937)</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

12. **Employee benefits liability** (continued)

	2019	2018
	\$'000	\$'000

(a) **Pension benefits asset** (continued)

ii) Movement in the present value of the defined benefit obligation as follows:

Defined benefit obligation at start	640,261	615,788
Current service cost	24,648	25,435
Interest cost	34,181	32,827
Contributions by plan participants	8,281	8,395
Re-measurements		
- Experience adjustments	-	(3,815)
- Actuarial (gains)/losses from changes in demographic assumption	7,955	-
Benefits paid	<u>(38,094)</u>	<u>(38,369)</u>
Defined benefit obligation at end	<u>677,232</u>	<u>640,261</u>

The defined benefit obligation is allocated between the Plan's members as follows:

	2019	2018
- Active	44%	44%
- Deferred members	1%	1%
- Pensioners	55%	55%

The weighted average duration of the defined benefit obligation at year end is 12 years. 88% of the value of the benefits for active members are vested. 12% of the defined benefit obligation for active members are conditional on future salary increases.

iii) Movement in the fair value of plan assets are as follows:	2019	2018
	\$'000	\$'000
Fair value of plan assets at start of year	714,198	702,926
Interest income	38,825	38,209
Return on plan assets, excluding interest income	(2,175)	(10,262)
Contributions by employer	13,016	13,299
Contributions by plan participants	8,281	8,395
Benefits paid	<u>(38,094)</u>	<u>(38,369)</u>
Fair value of plan assets at end of year	<u>734,051</u>	<u>714,198</u>



WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

12. Employee benefits liability (continued)

(a) Pension benefits asset (continued)

iii)	Movement in the fair value of plan assets are as follows: (continued)	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
	Asset allocation:		
	Regionally listed equities	190,096	181,073
	Overseas equities	97,232	98,615
	Government bonds	231,590	264,947
	Corporate bonds	179,213	156,162
	Mutual funds	310	307
	Cash and cash equivalents	<u>35,610</u>	<u>13,094</u>
	Fair value of plan assets at end of year	<u>734,051</u>	<u>714,198</u>

All asset values as at 30 September 2019 were provided by the Trustee. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid.

The majority of the Plan's government bonds were issued by the Government of Trinidad & Tobago, which also guarantees many of the corporate bonds held by the Plan.

The Plan's assets are invested in accordance with a strategy adopted by the Plan's Trustees and Management Committee and the Pensions Oversight Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad and Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset - liability matching strategies used by the Plan.

iv)	Expenses recognised in the statement of revenue and expenditure is as follows:	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
	Current service cost	24,648	25,435
	Net interest on net defined benefit asset	<u>(4,644)</u>	<u>(5,382)</u>
	Net pension cost	<u>20,004</u>	<u>20,053</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

12. Employee benefits liability (continued)

(a) Pension benefits asset (continued)

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
v) Re-measurements recognised in other comprehensive loss		
Experience losses/(gains)	<u>10,130</u>	<u>6,447</u>
Total amount recognised in other comprehensive loss	<u>10,130</u>	<u>6,447</u>
vi) Principal actuarial assumptions used for the purposes of the actuarial valuation were as follows:		
	<b>2019</b>	<b>2018</b>
Discount rate	5.5%	5.5%
Expected rate of wage increases	4.0%	4.0%
Expected rate of pension increases	0.0%	0.0%

Assumptions regarding future mortality are based on published mortality tables.

The life expectancies underlying the value of the defined benefit obligation as at 30 September 2018 and 2019 are as follows:

	<b>2019</b>	<b>2018</b>
Life expectancy at age 65 for current pensioner in years:		
- Male	17.5	16.9
- Female	21.4	20.7
Life expectancy at age 65 for current members age 40 in years:		
- Male	18.5	17.2
- Female	22.5	21.0

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

12. **Employee benefits liability** (continued)

(a) **Pension benefits asset** (continued)

vii) **Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2019 would have changed as a result of the assumptions used.

	<b>Increase</b>	<b>Decrease</b>
	<b>\$'000</b>	<b>\$'000</b>
- Discount rate (1% movement)	(64,765)	(64,023)
- Future wage increases (1% movement)	15,221	15,008

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 September 2019 by \$9.2 million.

viii) **Funding**

The Authority meets the balance of the cost of funding the defined benefit Pension Plan as determined by the Actuary. Member's contributions are fixed at 5% of pensionable salary. The funding requirements are based on regular (at least every three years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The Authority expects to pay contributions of \$14.8 million to the pension plan over the financial year ended 30 September 2019.

(b) **Termination benefits liability**

The Industrial Agreement covering the daily paid employees provides for a termination benefit if an employee is retrenched, laid off or upon retirement. The valuation of these benefit obligations is carried out by independent actuaries as at the date of the valuation of the Pension Plan.

The Industrial Agreement covering the daily paid employees provides for a termination benefit if an employee is retrenched, laid off or upon retirement. The valuation of these benefit obligations is carried out by independent actuaries as at the date of the valuation of the Pension Plan.

Net liability in statement of financial position for termination benefits – daily paid employees is derived as follows:

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

12. Employee benefits liability (continued)	2019	2018
	\$'000	\$'000
<b>(b) Termination benefits liability (continued)</b>		
i) Amounts recognised as follows:		
Present value of defined benefit obligations	<u>306,596</u>	<u>269,908</u>
Net defined benefit liability	<u>306,596</u>	<u>269,908</u>
ii) Amounts recognised in the statement of comprehensive loss:		
Current service costs	16,188	16,248
Net interest on net defined benefit liability	<u>14,685</u>	<u>13,137</u>
Net benefit cost	<u>30,873</u>	<u>29,385</u>
iii) Re-measurement recognised in statement of comprehensive loss:		
Experience losses	<u>11,695</u>	<u>6,180</u>
Total amount recognised in statement of comprehensive loss	<u>11,695</u>	<u>6,180</u>
iv) Reconciliation of opening and closing of statement of financial position:		
Opening defined benefit liability at prior year end	269,908	243,251
Net pension cost	30,873	29,385
Re-measurement losses recognised in statement of comprehensive loss	11,695	6,180
Authority contributions paid	<u>(5,880)</u>	<u>(8,908)</u>
Closing defined benefit liability	<u>306,596</u>	<u>269,908</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

<b>12. Employee benefits liability (continued)</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>

**(b) Termination benefits liability (continued)**

v) Movement in present value of defined benefit obligation as follows:

Defined benefit obligation at start of year	269,908	243,251
Current service cost	16,188	16,248
Interest cost	14,685	13,137
Re-measurements:		
- Experience adjustments	11,695	6,180
Benefits paid	<u>(5,880)</u>	<u>(8,908)</u>
Defined benefit obligation at end of year	<u>306,596</u>	<u>269,908</u>

The weighted average duration of the defined benefit obligation is 13 years. All of the termination benefits are vested. 36% of the defined benefit obligation is conditional on future wage increases.

vi) Movement in fair value of scheme asset:

There are no assets held by the Termination Benefit Plan.

vii) Principal actuarial assumptions used for the purposes of the actuarial valuation were as follows:

	<b>2019</b>	<b>2018</b>
Discount rate	5.5%	5.5%
Expected rate of wage increases	4.0%	4.0%

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

12. **Employee benefits liability** (continued)

**Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 30 September 2019 would have changed as a result of a change in the assumptions used.

	Increase \$'000	Decrease \$'000
- Discount rate (1% movement)	(35,791)	(32,768)
- Future wage increases (1% movement)	44,815	41,238

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

**Funding**

The termination benefit payments are met by the Authority when they are due. The benefits are not funded in advance.

13. **Bank overdraft and short-term financing**

	2019 \$'000	2018 \$'000
Republic Bank of Trinidad and Tobago Limited:		
- Desalination facility (refer to Note a)	399,245	400,402
Royal Bank of Canada:		
- Overdraft facility (refer to Note b)	<u>426,785</u>	<u>384,015</u>
	<u>826,030</u>	<u>784,417</u>

Security and other details:

- (a) The facility is a revolving line of credit facility of up to US\$60 million (2018: US\$60 million). The facility is to be used to enable the Authority to make prompt payments of all monthly billings from the Desalination Company of Trinidad and Tobago (Desalcott) in respect of the sale of desalinated water to the Authority.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

13. **Bank overdraft and short-term financing (continued)**

(a) Security and other details: (continued)

All amounts drawn and outstanding under the facility and all interest and other sums payable in respect of the facility will be due and payable or, as the case may be, repayable at any time forthwith on demand. The facility will be reviewed annually.

Interest will be calculated on the cleared daily debit balance under the facility at the US dollar prime rate as varied from time to time less 0.5% and will be payable monthly in arrears. The applicable interest rate as at 30 September 2019 is 4.4% per annum (2018: 5.5%).

The facility is secured at all times by the guarantee of the Government of the Republic of Trinidad and Tobago.

(b) This facility bears a fixed interest rate 3.0% per annum (2018: 3.0%) and is secured by letter of comfort from the Government of the Republic of Trinidad and Tobago.

14. <b>Accounts payable and accruals</b>	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>
Capital work in progress accruals	1,374,263	1,075,604
Trade creditors	1,093,805	1,016,268
Employee related liabilities	924,932	841,367
Litigation accruals	437,506	388,927
Deferred income	53,270	52,331
Loan interest payable	51,426	55,738
Other accrued charges	<u>253,048</u>	<u>203,911</u>
	<u><b>4,188,250</b></u>	<u><b>3,634,146</b></u>

Presented on the statement of financial position as follows:

Non-current	128,781	172,781
Current	<u>4,059,469</u>	<u>3,461,365</u>
	<u><b>4,188,250</b></u>	<u><b>3,634,146</b></u>

An amount of \$128.8 million at year end (2018: \$172.7 million) relating to retentions payable which are due in excess of 12 months from year end is presented as a non-current liability.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

**15. Revenue from contracts with customers**

IFRS 15 requires revenue recognized from contracts with customers to be disclosed separately from other sources of revenue. The Authority has elected to present revenue from contracts with customers as a line item in the statement of revenue and expenditure. Revenue derived from Water Abstraction Rates and BEU revenue established under the Business Enhancement Unit was previously included within Sundry Income, however with the adoption of IFRS 15, these sources of revenue have been reclassified.

*Disaggregated revenue information*

Set out below is the disaggregation of the entity's revenue from contracts with customers:

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Water rates	731,880	700,641
Sewer rates	43,169	43,460
Water abstraction	2,056	3,468
BEU revenue	<u>13,325</u>	<u>10,607</u>
Total revenue	<u>790,430</u>	<u>758,176</u>
<b>16. Sundry income</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Rental income	3,997	4,096
Other sundry income	<u>20,878</u>	<u>125,848</u>
	<u>24,875</u>	<u>129,944</u>



WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
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17. Expenses

Included in the expenses are the following:

<i>Personnel</i>		
Salaries and wages	831,512	911,389
Overtime	135,605	133,974
Statutory deductions	65,999	65,170
Allowances	61,355	62,361
Travel and subsistence	56,774	55,362
Net pension cost	50,961	49,438
Other benefits	14,552	17,103
	<u>1,216,758</u>	<u>1,294,797</u>
<i>Supplies and services</i>		
Hired and contracted services	186,356	126,167
Plant hire	45,102	44,860
Materials	34,595	20,002
Chemicals	17,321	55,276
Tankering of water	15,502	7,304
Professional fees	10,090	11,438
Stock valuation adjustments and provisioning	7,916	1,557
Minor equipment rental	6,106	3,222
Road reinstatement	4,584	5,664
	<u>327,572</u>	<u>275,490</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

17. Expenses (continued)	2019 \$'000	2018 \$'000
<i>Administration</i>		
Provision for impairment of receivables (Note 6)	41,861	65,290
Litigation and non-litigation claims	61,630	22,840
Legal and professional fees	10,818	4,345
Insurance	4,388	18
Postage	3,815	892
Other	3,025	2,511
RIC fees	2,503	5,129
Office materials and supplies	1,865	1,739
Commission on collections	1,373	1,044
Decommissioning of property	730	-
Seminars and conferences	692	290
Promotions and publicity	283	914
Local and foreign travel	99	175
Penalties and fines	<u>(89)</u>	<u>83</u>
	<u>132,993</u>	<u>105,270</u>
<i>Premises</i>		
Electricity	84,073	98,335
Property rental and other	23,508	16,569
Telephone	<u>5,795</u>	<u>5,218</u>
	<u>113,376</u>	<u>120,122</u>
<i>Transport and plant</i>		
Vehicle rental	26,427	17,339
Fuel, oil, parts and spares	6,313	6,728
Other	<u>222</u>	<u>147</u>
	<u>32,962</u>	<u>24,214</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

18. Finance expenses	2019 \$'000	2018 \$'000
Interest on finance lease	437,100	447,140
Interest on borrowings	239,693	294,079
Interest on overdrafts and other finance costs	38,467	35,640
Foreign exchange loss	<u>465</u>	<u>—</u>
	<u>715,725</u>	<u>776,859</u>

Foreign exchange loss is presented as follows:

Foreign exchange loss on finance leases	781	—
Other foreign exchange loss	<u>(316)</u>	<u>—</u>
	<u>465</u>	<u>—</u>

19. Cash and cash equivalents

For the purpose of the statement of cash flows,  
cash and cash equivalents comprises:

Cash and cash equivalents (Note 8)	266,003	113,189
Overdraft facility (Note 13(b))	<u>(426,785)</u>	<u>(384,015)</u>
Cash and cash equivalents per statement of cash flows	<u>(160,782)</u>	<u>(270,826)</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

20. Cash generated from operations	Notes	2019 \$'000	2018 \$'000
Net deficit for the year		(159,024)	(88,383)
Adjustments to reconcile net deficit to net cash generated from operating activities:			
- Deferred contributions released to income	11	(70,912)	(71,280)
- Depreciation	3	378,388	385,223
- Disposal and other adjustments to property, plant and equipment		730	-
- Interest income		(81,097)	(106,386)
- Finance expenses	18	715,725	776,859
- Provision for impairment of receivables	17	41,861	65,290
- Movement in employee benefits obligations (net)		<u>31,981</u>	<u>27,231</u>
Operating profit before working capital changes		857,652	988,554
- Decrease in inventories		24	18,803
- Increase in accounts receivable and prepayments		(109,290)	(132,993)
- Increase in accounts payable and accruals		<u>554,104</u>	<u>724,962</u>
Cash generated from operations as per statement of cash flows		<u>1,302,490</u>	<u>1,599,326</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

21. **Commitments**

a) **Capital commitments**

The Authority has a continuous programme of expenditure on property, plant and equipment, which are singly or jointly financed by GORTT, local financial institutions and the Authority itself. At 30 September 2019, contracts awarded in respect of development works which had not yet commenced or concluded at that date amounted to approximately \$847 million (2018: \$917 million).

b) **Operating lease commitments**

Future minimum rentals payable under operating leases entered into with various companies in respect of motor vehicle and property rentals are as follows:

	2019 \$'000	2018 \$'000
Due within one year	24,626	19,092
Due after one year but not more than five years	41,896	42,433
Due over five years	<u>1,701</u>	<u>5,381</u>
	<u>68,223</u>	<u>66,906</u>

Operating lease expenses amounting to \$48.1 million (2018: \$32.1 million) is included within property rental and vehicle rental expenses in the revenue and expenditure account (refer to Note 17).

c) **Purchase commitments - Desalcott**

As at 31 December 2011 the price paid to Desalcott under the terms of the Water Sale Agreement (WSA) was US 89.26 cents per cubic meter. As of 1 January 2012, under the terms of the Amended Water Sale Agreement (AWSA) Desalcott supplied water from its plant at Point Lisas at a price of US 97 cents per cubic meter.

According to the AWSA also, Desalcott was contracted to increase its supply of water to 181,817 cubic meters or 40 MIGD from 1 January 2014. Successful performance testing at this supply level was actually concluded on 27 November 2014 at a new price of US \$1.00.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

21. Commitments (continued)

c) Purchase commitments – Desalcott (continued)

Future water purchase commitments under the AWSA entered into with Desalcott are as follows:

	2019 \$'000	2018 \$'000
Due within one year	449,645	448,376
Due after one year but not more than five years	1,794,893	1,794,734
Due over five years	<u>5,497,705</u>	<u>5,946,822</u>
	<u>7,742,243</u>	<u>8,189,932</u>

d) Purchase commitments – Seven Seas

The Authority entered into a Water Sale Agreement (WSA) with Seven Seas Water (Trinidad) Unlimited, Seven Seas Water Corporation and its affiliates – members of the Seven Seas Water Group on the 7 May 2010 for the supply of potable quality water at the Point Fortin Desalination site. The WSA was amended on 7 October 2010, on 11 January 2013 and on 29 January 2014. Based on the second amendment to the WSA on 11 January 2013, the arrangement was scheduled in two (2) phases with Phase 1 having an average monthly purchase capacity of 172,822 cubic meters of water at US\$1.67 per cubic metre and Phase 2 having an increased average monthly purchase capacity of 633,677 cubic meters of water at US\$1.67 per cubic metre for months one through sixty and at US\$1.65 from months sixty one (61) through one hundred and twenty (120). The third amendment to the WSA on 29 January 2014, was also scheduled in two (2) phases with Phase 1 having an average monthly purchase capacity of 172,822 cubic meters of water at US\$1.67 per cubic metre and Phase 2 having an increased average monthly purchase capacity of 633,677 cubic meters of water at US\$1.67 per cubic metre for months one through sixty and at US\$1.65 from months sixty-one (61) through one hundred and twenty (120). The fourth amendment to the WSA on 3 September 2015 included provisions for an upgrade of equipment of the System in order to expand capacity to 25,379 per cubic meters (expansion product water) with a maximum delivery of 27,917 per cubic meter (extra product water) of desalinated water and a change in consideration to US\$1.55 from month one hundred and fifty -one (151) to two hundred (200). Water purchase commitments under the WSA commenced in 2013. The relevant accounting and/or disclosure requirements required by IAS 17: “Leases”, have been presented in these financial statements.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

22. **Contingent liabilities**

a) **Litigation and other claims**

In the normal course of business, the Authority is the defendant in certain litigation matters, claims and other legal proceedings. Provisions have been established for such matters where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The Authority remains contingently liable in respect of other litigation matters which are considered possible but not probable and thus no provision is made in these financial statements. For the 2019 financial year, contingent liabilities identified as at year end \$98 (2018: \$88).

		<b>2019</b>	<b>2018</b>
b) <b>Other</b>		<b>\$'000</b>	<b>\$'000</b>

The following other contingent liabilities existed at 30 September:

Customs bonds	<u>98</u>	<u>88</u>
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23. **Fair value and financial risk management**

a) **Fair value and fair value hierarchies**

The carrying amounts of the Authority's cash at bank, restricted cash, short-term financing, accounts receivables, short-term deposits and accounts payables approximate their fair value, in view of their short-term maturities of a year or less and are presented below. The fair value of the long-term fixed rate borrowings and other financial instruments is also presented below:

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

23. Fair value and financial risk management (continued)

a) Fair value and fair value hierarchies (continued)

	Carrying amount 2019 \$'000	Fair value 2019 \$'000	Carrying amount 2018 \$'000	Fair value 2018 \$'000
<b>Financial assets:</b>				
Cash at bank	266,003	266,003	113,189	113,189
Restricted cash	31,590	31,590	31,591	31,591
Accounts receivables	176,612	176,612	238,718	238,718
Financial assets held at amortised cost	1,080,639	1,080,639	1,000,031	1,000,031
<b>Financial liabilities:</b>				
Bank overdraft and short-term financing	826,030	826,030	784,417	784,417
Borrowings	3,063,386	3,063,386	3,168,706	3,168,706
Accounts payables	3,830,506	3,830,506	3,322,166	3,322,166

Determination of fair value and fair value hierarchies

The Authority uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.



**23. Fair value and financial risk management (continued)**

**a) Fair value and fair value hierarchies (continued)**

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes and investments in private equity funds with fair values obtained via fund managers.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment and are regularly assessed for impairment.

As at 30 September 2019, there were no financial assets and liabilities in Levels 1 or 3 categories. The fair values of borrowings were deemed to be equivalent to the carrying values as the Authority has defaulted on the terms of these loan arrangements. (Refer to Note 9)

**b) Financial risk management**

The Authority's activities expose it to a variety of financial risks, including the effects of changes in interest rates and market liquidity conditions. Accordingly, the Authority's financial performance and position are subject to changes in the financial markets. Overall risk management measures are focused on minimizing the potential adverse effects in the financial performance of the Authority of changes in financial markets.

*Credit risk*

Credit risk is the risk that the counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Authority is exposed to credit risks from its operating activities (primarily trade accounts receivables) and from its financing activities, including deposits with banks and financial institutions.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

23. Fair value and financial risk management (continued)

b) Financial risk management (continued)

*Credit risk* (continued)

Management has considered this risk from its operating activities to be limited, in light of the current collection rate for water and sewerage rate debtors and given the additional operating funding provided by GORTT. Appropriate provisions have been established for amounts considered uncollectable. Surplus cash deposits are made with reputable financial institutions.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position without taking account of any other credit enhancements:

	Gross maximum exposure 2019 \$'000	Gross maximum exposure 2018 \$'000
Cash and short-term deposits	266,003	113,189
Financial assets held at amortised cost	1,080,639	1,000,031
Accounts receivable	176,612	238,718
Restricted cash	<u>31,590</u>	<u>31,591</u>
	<u>1,554,844</u>	<u>1,383,529</u>

**Credit quality per category of financial asset**

The credit quality of the balances due from the Authority's various counterparties are internally determined from an assessment of each counterparty based on a combination of factors.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

23. Fair value and financial risk management (continued)

b) Financial risk management (continued)

*Credit risk* (continued)

**Credit quality per category of financial asset** (continued)

These factors include financial strength and the ability of the counterparty to service its debts, the stability of the industry or market in which it operates and its proven track record with the Authority. The categories defined are as follows:

**Superior:** This category includes balances due from Government and Government agencies and balances due from institutions that have been accorded the highest rating by an international rating agency or is considered to have the highest credit rating. These balances are considered risk free.

**Desirable:** These are balances due from counterparties that are considered to have good financial strength and reputation.

**Acceptable:** These are balances due from counterparties that are considered to have moderate financial strength and reputation.

The table below illustrates the credit quality of the Authority's financial assets as at 30 September:

	<b>Superior</b> <b>\$'000</b>	<b>Desirable</b> <b>\$'000</b>	<b>Acceptable</b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<b>2019</b>	1,346,966	31,590	176,288	1,554,844
<b>2018</b>	1,189,803	31,591	162,135	1,383,529

The Authority is exposed to significant credit risk related to the Water and Sewer rate debtors and also its water abstraction debtors' portfolios. As at 30 September 2019 approximately 86% (2018: 77.6%) of these gross receivables' balances have been provided for.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

23. Fair value and financial risk management (continued)

b) Financial risk management (continued)

*Interest rate risk*

Interest rate risk centers on the risk that debt service cash outflow will increase due to changes in market interest rates. The Authority's exposure to interest rate risk relates mainly to its borrowings and short-term financing. The Authority manages its interest cost by obtaining funding from a portfolio of fixed and variable rate debt instruments. Interest payments on this debt are GORTT guaranteed. The interest rate exposure of borrowings is as follows:

	2019 \$'000	2018 \$'000
<b>Total borrowings</b>		
At fixed rate	3,063,386	3,168,706
At floating rate	-	-

**Interest rate risk table**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Authority's net (deficit)/surplus for the year:

	Increase/(decrease) in basis points	Effort on net surplus \$
<b>2019</b>	+100	-
	-100	-
<b>2018</b>	+100	-
	-100	-

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

23. Fair value and financial risk management (continued)

b) Financial risk management (continued)

*Liquidity risk*

Liquidity risk is the risk that the Authority will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Authority is heavily dependent on GORTT contributions and available credit facilities such as long-term loans, overdrafts and other financing options to support its current and long-term liquidity requirements. These loans and facilities are GORTT guaranteed.

The table below summarises the maturity profile of the Authority's financial liabilities based on contractual undiscounted payments at 30 September:

2019	1 year	1 to	> 5 years	Total
	\$'000	5 years	\$'000	\$'000
Bank overdraft and short-term financing	826,030	—	—	826,030
Borrowings	3,062,794	592	—	3,063,386
Water Sale Agreement lease obligations	449,645	1,794,893	5,497,705	7,742,243
Accounts payables	<u>3,701,725</u>	<u>128,781</u>	—	<u>3,830,506</u>
	<u>8,040,194</u>	<u>1,924,266</u>	<u>5,497,705</u>	<u>15,462,165</u>
2018	1 Year	1 to	> 5 Years	Total
	\$'000	5 years	\$'000	\$'000
Bank overdraft and short-term financing	784,417	—	—	784,417
Borrowings	3,167,657	1,049	—	3,168,706
Water Sale Agreement lease obligations	543,798	2,176,421	6,545,656	9,265,875
Accounts payables	<u>3,322,166</u>	<u>172,781</u>	—	<u>3,494,947</u>
	<u>7,818,038</u>	<u>2,350,251</u>	<u>6,545,656</u>	<u>16,713,945</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

23. Fair value and financial risk management (continued)

b) Financial risk management (continued)

*Foreign currency*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses. Risk management in this area is active to the extent that hedging strategies are available and cost effective.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of net surplus/(deficit) for the year (due to changes in the fair value of monetary assets and liabilities) and the Authority's equity:

2019	Increase/decrease in US dollar rate	Effect on net surplus \$'000	Effect on equity \$'000
US dollar	+1	(51,654)	(51,654)
US dollar	-1	51,654	51,654
2018	Increase/decrease in US dollar rate	Effect on net surplus \$'000	Effect on equity \$'000
US dollar	+1%	(52,622)	(52,622)
US dollar	-1%	52,622	52,622

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

23. Fair value and financial risk management (continued)

b) Financial risk management (continued)

*Foreign currency (continued)*

The aggregate value of financial assets and liabilities by reporting currency are as follows:

2019	TTD \$'000	USD \$'000	Total \$'000
<b>Assets</b>			
Cash and short-term deposits	180,800	85,203	266,003
Restricted cash	31,590	–	31,590
Accounts receivable	176,613	–	176,613
Financial assets held at amortised cost	<u>1,080,639</u>	<u>–</u>	<u>1,080,639</u>
	<u>1,469,642</u>	<u>85,203</u>	<u>1,554,845</u>
<b>Liabilities</b>			
Bank overdraft and short-term financing	426,785	399,245	826,030
Borrowings	3,063,386	–	3,063,386
Interest on borrowings	1,619,349	–	1,619,349
Water Sale Agreement lease obligations	–	4,441,114	4,441,114
Accounts payable and accrual	<u>3,420,309</u>	<u>410,196</u>	<u>3,830,506</u>
	<u>8,529,829</u>	<u>5,250,555</u>	<u>13,780,385</u>
Net liability	<u>7,060,187</u>	<u>5,165,352</u>	<u>12,225,540</u>

The aggregate value of financial assets and liabilities by reporting currency are as follows:

2018	TTD \$'000	USD \$'000	Total \$'000
<b>Assets</b>			
Cash and short-term deposits	95,719	17,470	113,189
Restricted cash	31,591	–	31,591
Accounts receivable	238,718	–	238,718
Financial assets held at amortised cost	<u>1,000,031</u>	<u>–</u>	<u>1,000,031</u>
	<u>1,366,059</u>	<u>17,470</u>	<u>1,383,529</u>

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

23. Fair value and financial risk management (continued)

b) Financial risk management (continued)

Foreign currency (continued)

2018	TTD \$'000	USD \$'000	Total \$'000
<b>Liabilities</b>			
Bank overdraft and short-term financing	384,015	400,402	784,417
Borrowings	3,168,706	–	3,168,706
Interest on borrowings	1,857,276	–	1,857,276
Water Sale Agreement lease obligations	–	4,549,079	4,549,079
Accounts payable and accrual	<u>2,991,934</u>	<u>330,233</u>	<u>3,322,167</u>
	<u>8,401,931</u>	<u>5,279,714</u>	<u>13,681,645</u>
Net liability	<u>7,035,872</u>	<u>5,262,244</u>	<u>12,298,116</u>

24. Capital management

The primary objective of the Authority's capital management is to safeguard its ability to continue as a going concern and thus fulfil its mandate under the WASA Act. In so doing the Authority will monitor and seek to maintain the most optimal capital structure in the current circumstances.

25. Related party information

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which includes affiliates. Related parties may be individuals or corporate entities.

In the normal course of the Authority's business, transactions are conducted with certain government related entities.

Included in the Water and Sewer rate receivable balance at year end is an amount of \$102.9 million representing amounts due from eighty-seven (87) government related entities. Water and Sewer rate revenues in the amount of \$.62.3million were derived from ninety-one (91) government related entities for the year ended 30 September 2019.



WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

25. **Related party information (continued)**

*Compensation of key management personnel of the Authority*

Key management relate to personnel having authority and responsibility for planning, and directing the activities of the Authority. Key management compensation is included within personnel costs and is summarised below:

	2019 \$'000	2018 \$'000
Short-term benefits	<u>32,404</u>	<u>32,212</u>
Commissioners' fees and remuneration	<u>660</u>	<u>495</u>

26. **Subsequent events**

(a) **Inter-American Development Bank (IDB) Loan Funding**

**LOAN 2600/OC-TT**

In October 2011, Cabinet agreed that the GORTT accept an investment "Loan 2600 – US\$50 million" comprising VESP Payments of US\$20.113 million and Training and Wastewater Infrastructure Work of US\$29.887 million to assist in the implementation of the WASA's Modernization and Wastewater Infrastructure Rehabilitation Programme for Trinidad and Tobago from the IADB.

(b) **Inter-American Development Bank (IDB) Loan Funding - Loan 2600**

In October 2011, Cabinet agreed that the GORTT accept an investment "Loan 2600 – US\$50 million" comprising VESP Payments of US\$20.113 million and Training and Wastewater Infrastructure Work of US\$29.887 million, to assist in the implementation of the WASA's Modernization and Wastewater Infrastructure Rehabilitation Programme for Trinidad and Tobago from the Inter-American Development Bank (IDB).

These funds were received through five (5) advance disbursements deposited into a special USD non-interest banking account at the CBTT totaling US\$49.912 million over the period November 2012 to December 2019. The amount reimbursed/direct paid by the IADB totaled US\$0.088 million. The table below provides the schedule of funds disbursed by the IDB for Loan 2600:

WATER AND SEWERAGE AUTHORITY

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(Continued)

26. Subsequent events (continued)

(b) Inter-American Development Bank (IDB) Loan Funding - Loan 2600  
(continued)

Release of Funding	Amount (USD)	Date disbursed/ Paid by IADB
1 <sup>st</sup> Advance of Funds	20,113,202	22 November 2012
Direct Payments to BRLI	31,200	29 October 2013
2 <sup>nd</sup> Advance of Funds	4,395,246	27 November 2013
Reimbursement for payments	55,641	21 July 2014
Return of 2 <sup>nd</sup> Advance of Funds	(4,395,000)	09 June 2015
Revised 2 <sup>nd</sup> Advance of Funds	5,000,000	29 May 2017
3 <sup>rd</sup> Advance of Funds	4,000,000	27 Jun 2018
4 <sup>th</sup> Advance of Funds	12,677,459	17 December 2018
5 <sup>th</sup> Advance of Funds	<u>8,122,251</u>	13 December 2019
<b>Total advanced by IDB</b>	<b><u>50,000,000</u></b>	

The 1<sup>st</sup> Advance of US\$20.113 million was utilised for a VESP in FY 2012-2013.

The balance of US\$29.887 million has funded the following projects:

- i. Construction of two (2) Sewerage Systems centred on the Bon Accord and Samaan Grove Waste Stabilization Ponds in South West Tobago.

At its 733<sup>rd</sup> Meeting held on 29 June 2016, the Board of Commissioners approved the re-aligned work programme in support of wastewater projects at an estimated cost of US\$28.7 million which included the South West Tobago Wastewater Upgrade Project; Upgrade of the existing Samaan Grove and Bon Accord Waste Stabilization Ponds (WSP) at an estimated cost of US\$16.4 million with an implementation timeframe of 12 – 18 Months.

The project was divided into four (4) work packages and were all completed by 31 August 2019 as follows:

- Samaan Grove Package 1 – 31 May 2019
- Samaan Grove Package 2 – 31 August 2019
- Bon Accord Package 1 – 31 August 2019
- Bon Accord Package 2 – 31 May 2019

# WATER AND SEWERAGE AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019 (Continued)

### 26. Subsequent events

#### (b) Inter-American Development Bank (IDB) Loan Funding - Loan 2600 (continued)

##### ii. Construction Supervision - BRL Ingenierie

On 7 February 2013, a contract for the provision of Construction Supervision Services under the Improvement of Trinidad & Tobago Wastewater Systems was awarded to BRL Ingenierie and Engineering Consultants (BRLi/ENCO) in the amount of US\$1.353 million. This contract ended on 31 July 2019.

In 2013, duties were also performed during the pre-contracting services period for Maloney Tendering, the contract agreement for BRLi/ENCO had minor amendments to accommodate the South West Tobago Wastewater Project utilizing the available budget. Construction Supervision of South West Sewerage Upgrade was completed on 30 September 2019.

##### iii. Provision of Consultancy Services for the Detailed Designs and Tender Documents for the Maloney Wastewater Treatment Plant and Phase Two Collection System.

##### iv. Design and Build of the Trincity Wastewater Treatment Plant

This project to expand and upgrade the Trincity Wastewater Treatment Plant started on 01 October 2019 at an estimated cost of US\$8.8 million with an original end date of 07 December 2021 and a one (1) year Defects Liability period ending on 06 December 2022. The Construction Supervising Engineer under WTC 05/2017 is Alpha Engineering and Design (2012) Limited and the Design and Construction - WTC 48/2018 is being undertaken by Sinohydro Corporation Limited. As at September 2022, the percentage of construction completed is 44%.

Construction Supervision for the Trincity Wastewater Treatment plant commenced on September 09, 2019. However, due to challenges resulting from measures imposed as a result of the COVID 19 Pandemic, the Board of Commissioners at its 799th Meeting held on 29 September 2021 approved an extension of sixty-seven (67) days without costs and a revised end date to 06 December 2022 inclusive of the defects liability period.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

**26. Subsequent events (continued)**

**(b) Inter-American Development Bank (IDB) Loan Funding - Loan 2600  
(continued)**

iv. Design and Build of the Trincity Wastewater Treatment Plant (continued)

The Board, at its 801st Meeting held on 29 November 2021 approved the request for an extension of time of 67 days from 29 September 2022 to 6 December 2022 at a cost of TT \$364,252.50 (Vat Inclusive).

A COVID-19 claim of Two Million, One Hundred and One Thousand, Three Hundred and Ninety-seven Dollars and Seventy-eight Cents (TT\$2,101,397.78) VAT Inclusive was also submitted under contract WTC 48/2018 by Sinohydro Corporation Limited which was approved by the Board of Commissioners at its 805th meeting held on 23 February 2022.

v. Mid Term Evaluation Report - Alan Cunningham

The Mid-Term Evaluation Report was completed on 31 October 2017.

vi. Final Evaluation

- First Evaluation was scheduled to begin 9 May 2022. Evaluation Report was completed and circulated for signatures.
- The Evaluation was subsequently redone, and a candidate was recommended.
- Request to award contract was submitted for approval on 3 August 2022.

GORTT and IADB worked jointly on the preparation of a Multi-Phase Wastewater Rehabilitation Program Loan 2890 designed to provide long-term support (financial, institutional and technical) to the wastewater sector in Trinidad and Tobago over an estimated eight (8) year period. The entire program is to be financed and implemented in three (3) phases, each with its corresponding loan contract, so as to allow the Executing Agency - WASA to adjust to a change from operating many small and medium sized wastewater treatment plants to operating a smaller number of significantly larger wastewater treatment plants.

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

(Continued)

26. Subsequent events (continued)

c) **Inter-American Development Bank (IDB) Loan Funding - Loan 2890**

On 19 January 2013, a loan agreement between the GORTT and the IADB was signed for financing of US\$246.5 million for the estimated cost of Phase 1, comprising of the Construction Work for the San Fernando and Malabar Wastewater Treatment Plants, Institutional Strengthening, Concurrent costs and Contingencies. The general objective of the loan is to improve the wastewater infrastructure in the identified priority catchments of Malabar and San Fernando, thereby positively impacting the environmental conditions of Trinidad and Tobago by increasing the volume of treated wastewater and to improve efficiency of the Authority. A first disbursement of US\$24.2 million was received on 17 November 2013.

As at 12 December 2022, a total of US\$229.6 million has been received from the IADB through advance disbursement of funds totaling US\$204.26 and direct payments totaling US\$25.338 million.

The contract for Phase 1 was awarded in two (2) packages:

- Package 1 – Malabar Wastewater Treatment Plant and Collection System Construction Works; and
- Package 2 – San Fernando Wastewater Treatment Plant and Collection System Construction Works

As at 12 December 2022, the following projects were in progress:

- Malabar Wastewater Treatment Plant – 96.5% complete

Testing and commissioning were completed in December 2019 and a Completion Certificate issued to WASA. The Take-over Certificate was issued by WASA to the contractor on 31 December 2019 and the plant transferred to WASA on 1 January 2020 after one year of operation and maintenance by the contractor.

26. **Subsequent events (continued)**

c) **Inter-American Development Bank (IDB) Loan Funding - Loan 2890 (continued)**

- San Fernando Wastewater Treatment Plant – 98.5% complete

The completion of the modification to the San Fernando Wastewater Treatment Plant was delayed due to a statement of claims filed by the contractor AAA on 14 June 2018 for an extension of 17.6 months and costs amounting to USD\$15.603 million based on (i) lack of access to the collection system sites (ii) additional works performed (iii) sums paid towards rental and license fees of private lands (iv) the employer's failure to provide a secure site for construction and (v) force majeure events. In order to arrive at an effective solution to all parties, IADB subsequently procured the services of an Independent External Consulting Engineer to assist in resolving the issues and move forward in a transparent and efficient manner. The IADB Consultant has submitted a report with recommendations to IADB, and negotiations are currently on-going with AAA to have a draft amended agreement.

Currently the plant is 98.5% complete. The Wastewater Treatment Plant and Collection System were commissioned on 14 October 2022.

- Corporate Governance – Completed February 2018
- IBM – Completed.
- Malabar Property connections – In procurement phase. Contract awarded on 17 June 2019. Package Completion: M2 is 70% and M3 is 8%. The original contract date for completion was 29 July 2020, however approval for an extension of time granted to 20 November 2020.
- Mid Term report – Completed
- Procurement of Two (2) New CCTV Inspection Equipment complete with Two (2) Trucks to be used for Sewer Pipeline Inspection. This project started on 30 November 2018 and expected to be completed on 30 November 2021. Project completion is 92%.
- Peer Review – Completed

WATER AND SEWERAGE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019  
(Continued)

26. **Subsequent events (continued)**

c) **Inter-American Development Bank (IDB) Loan Funding - Loan 2890  
(continued)**

- Individual consultant Tariff and Business Planning – Albert Gordon. Consultancy to be closed off.
- Consultant (Firm) – Tariff and Business Plan – Castalia. Completed.
- Provision of Consultancy Services for the detailed designs and bid documents of the Maloney Wastewater Treatment Plant and Phase 2 Collection System

This consultancy has subsequently been transferred under the Loan 2890 for financing and is estimated cost of US\$2.1 million. This project started on 18 May 2020 and is currently complete.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
continued

26. Subsequent events (continued)

(i) The Authority's development bank (DB) has been established as a separate legal entity.

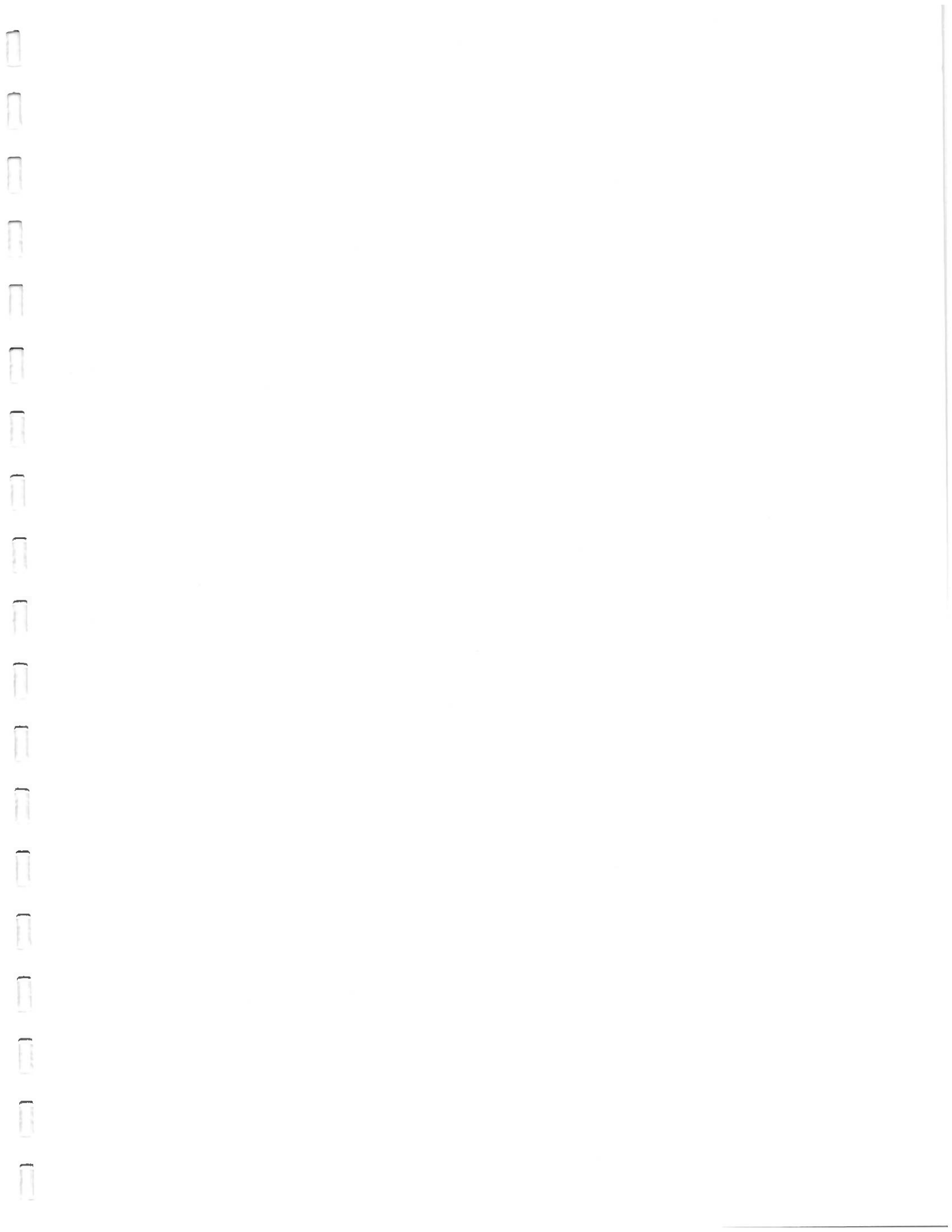
The DB is a wholly owned subsidiary of the Authority and is incorporated in England and Wales.

The DB is authorised to carry on the business of a development bank.

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