

To Tatou Vai Authority

Annual report

For the year ended 30 June 2023

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Directors' declaration

In the opinion of the Directors of To Tatou Vai Authority ('the Authority') the financial statements and notes, on pages 7 - 24:

- comply with New Zealand Public Benefit Entity (NZ PBE) Reduced Disclosure Regime (RDR) International Public Sector Accounting Standards (IPSAS) and give a true and fair view of the financial position of the Authority as at 30 June 2023 and the results of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors acknowledge that they need to take adequate steps to safeguard the assets of the Authority to prevent and detect fraud and other irregularities. Internal control procedures could also be improved to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Director's have performed an assessment of the Authority's ability to continue as a going concern from twelve months from the date of this declaration. In this assessment, the Directors consider that based on committed Government support, and the level of expenditure required to meet operations, the Authority will continue to operate on a going concern basis.

The Directors are pleased to present the annual report including the financial statements of To Tatou Vai Authority for the year ended 30 June 2023.

The financial statements on pages 7 - 24 are authorised for issue for, and on behalf of, the Board:



Brian Mason
Director

Date: 24 / 6 / 24



Des Eggleton
Director

Date: 24 / 6 / 24

Directory

Nature of business	The principal activity of To Tatou Vai Authority is to ensure the availability of and adequate supply of drinkable water and to establish and manage the treatment, collection and disposal of sewage on the Island of Rarotonga
Registered Office	Airport House 3 Nikao PO Box 965 Rarotonga Cook Islands
Directors	Brian Mason (Chairman) Des Eggleton Sam Napa Vaine Wichman Phillip Vakatini Ashleigh Steele Gabe Raymond (Appointed 01/12/22 - Resigned 31/01/24) Charles Carlson (Appointed 01/02/24)
Shareholder	Cook Islands Investment Corporation
Auditor	KPMG

Independent Auditor's Report

To the shareholders of To Tatou Vai Authority

Report on the audit of the financial report

Opinion

In our opinion, the financial report of To Tatou Vai Authority (the "Authority") on pages 7 to 24 presents fairly, in all material respects:

- i. the Authority's financial position as at 30 June 2023 and its financial performance and cash flows for the year ended on that date; and
- ii. the service performance for the year ended 30 June 2023 in accordance with the Authority's service performance criteria;

in accordance with Public Benefit Entity Standards (Public Sector) issued by the New Zealand Accounting Standards Board.

We have audited the accompanying financial report which comprises:

- the statement of financial position as at 30 June 2023;
- the statements of comprehensive revenue and expenses, changes in equity and cash flows for the year then ended;
- notes, including a summary of significant accounting policies; and
- the statement of service performance for the year ended 30 June 2023.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'), and the audit of the statement of service performance, in accordance with the New Zealand Auditing Standard 1 *The Audit of Service Performance Information* ('NZ AS 1'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Authority in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *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.

Our responsibilities under ISAs (NZ) and NZ AS 1 are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

Subject to certain restrictions, partners and employees of our firm may also deal with the Authority on normal terms within the ordinary course of trading activities of the business of the Authority. These matters have not impaired our independence as auditor of the Authority. The firm has no other relationship with, or interests in, the Authority.



Other information

The Directors, on behalf of the Authority, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial report does not cover any other information and we do not express any form of assurance conclusion thereon.

Other information

The Directors, on behalf of the Authority, are responsible for the other information included in the entity's financial statements. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The Directors, on behalf of the Authority, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards Reduced Disclosure Regime (Public Sector));
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- service performance criteria that are suitable in order to prepare service performance information in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Public Sector)); and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole and the statement of service performance are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ and NZ AS 1 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs (NZ) and NZ AS 1, the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements and the service performance information, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtains an understanding of the process applied by the entity to select what and how to report its service performance.
- Evaluates whether the service performance criteria are suitable so as to result in service performance information that is in accordance with the applicable financial reporting framework.
- Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements and service performance information, including the disclosures, and whether the financial statements and service performance information represent the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Rarotonga

25 June 2024

Statement of Service Performance For the year ended 30 June 2023

Introduction

To Tatou Vai ("the Authority") was established under the To Tatou Vai Act 2021 ("the Act") with the primary mission to provide a reliable water supply that is safe to drink and improving the well-being of Cook Islands people in Rarotonga. To achieve this mission, the Authority's focus include the following four core service areas:

- Water Quality: Ensuring that the water is reliable and meets prescribed quality standards.
- Water Conservation and Supply: Ensuring a continuous, adequate water supply year-round, minimizing waste.
- Water Asset Management: Operating, building, and maintaining the water supply systems, facilities, and networks.
- Water Authority Development: Developing the personnel, systems, and frameworks necessary to fulfill the Authority's mission.

As a newly established entity, the Authority is currently in its foundational phase. Several crucial systems essential for its operations are either being implemented or are undergoing pilot testing. In addition TTV is progressively taking ownership of the water assets it will have ultimate responsibility for and at the date of this SSP does not have control over all those assets. The performance measures selected at this stage of the Authority's development reflect the Authority's formative stage, providing an overview of its current capabilities. This SSP is indicative of To Tatou Vai's development journey.

As the Authority evolves, achieving full functionality and assuming ownership of the water assets presently held by MFEM, future service performance reports, including indicators, will be developed accordingly. The Authority anticipates that, as it matures and its systems become fully operational, the scope and depth of its service performance reporting will expand. This evolution will reflect the increased responsibility and capability of the Authority, ensuring alignment with its ultimate purpose of providing a clean and consistent water supply to Rarotonga.

Water Quality

The water distributed on Rarotonga's water reticulation network is not potable and historically has never been. The Authority aims to provide potable water, but this will require future efforts including making improvements to the functionality of the water network assets yet to be transferred to the Authority, and the reconfiguration of the network ensuring that the production sites operate cohesively with the network. The Authority has not yet reached this phase in its development plan. Currently, the Authority administers polyaluminium chloride ("PACL") to the raw water in the sedimentation tanks with the automatic valveless gravity (AVG) sand filters providing secondary filtration and removing turbidity, and to some degree reducing harmful bacteria. There is no set target of PACL required to be administered, as the amount utilized is a direct response to the level of rainfall and build up of sediment.

In accordance with section 8 (c) of the Act, the Authority is required to meet prescribed water standards. As of June 30, 2023, these standards have yet to be prescribed. The Public Health Bill is intended to empower Te Marae Ora (Ministry of Health) to set the prescribed water standards, but this legislation has not yet been enacted. In spite of the prescribed standards not being in place, the Authority has voluntarily set targets for water quality testing to meet some level of public health. That is, at the TTV managed Water Stations, where UV is applied, this target is for Coliforms and Escherichia coli ("E. coli") to be less than 1 in 100 ml in each sample tested. A "boil water" notice is otherwise provided in all cases.



The results of this testing are as follows:

	2023	2022
Number of Tests	1167	1,397
Number of Tests passed (E.coli less than 1 in 100 ml)	1042	1,252
Pass rate	89%	90%

Water Conservation and Supply

Given the seasonal nature of rainfall in Rarotonga and extended periods of little to no rainfall, maintaining a consistent water supply is an ongoing challenge. The Act requires the Authority to provide water to those who reside at an elevation within 30 meters above sea level, and it is not uncommon that customers within the 30m zone have reported no water supply or very low pressure. Such reports can be due to a number of issues including deficiencies in the customer's own plumbing, however all genuine issues are included in customer fault reporting. The current water network assets are not operating at optimum levels and will require augmentation to overcome these challenges and provide a consistent supply of water. This issue is exacerbated by leaks and wastage as the consumption of water often exceeds production.

The installation of meters on all connections will help the Authority identify the quantity and location of leakages. Correcting these issues will increase pressure in the network and reduce periods of inconsistent supply. Although some limited pilot meters have been installed, consistent and meaningful data will be available when the Authority completes the project to install meters on all household connections. This is yet to occur in the Authority's development. The Authority therefore focused on responding to faults reported by users and making necessary corrections. The number of faults reported and corrected reflects the Authority's efforts to reduce overall water waste and their commitment to conservation.

The results of faults attended to are as follows:

	2023	2022
Number of Faults reported	244	379
Number of Faults rectified	244	379

In addressing faults and repairing network errors the Authority has spent the following on network repairs and maintenance:

	2023	2022
Amount spent on network maintenance	\$ 22,417.00	\$ 32,268.00

Furthermore to promote conservation by users of the network the Authority has performed the following public outreach.

	2023	2022
Number of advertisements placed	68	12

Where there are outages these are reported by customers in faults reporting.

Water Asset Management

The water network that is constructed under the Te Mato Vai project (administered by the Cook Islands Government) has not yet officially transferred to the Authority. However the Authority is responsible for its management, operation and maintenance including managing new connections and addressing faults as reported above.

	2023	2022
Number of new connections	30	40

Additionally, the Authority is constructing a permanent sludge drying and storage facility, and whilst commissioning is scheduled for October 2024 it has taken three years to plan.

Water Authority Development

The Tatou Vai Act was passed in November 2021 establishing TTV as a water Authority in Rarotonga. The existing water intakes are all located on private lands, and therefore, the Authority is mandated under its Act to establish Catchment Committees to assist with the management of these water sources. These are required to be established 24 months after the Act's passing, and therefore are due all to be in place by November 2023. The purpose of these committees is to ensure the protection of intakes to prevent any detriment to the supply or quality of water from these sources. During 2023, the confirmation of the Avatiu, Papua, Taipara, and Totokoitu Catchment Committees (CCs) occurred in court on May 1st, 2023. This represents 40% of the required catchment committees. There were no catchment committees confirmed in 2022.

To ensure the Authority continues its objective of becoming an established utility, and expand the capacity of its employee's industry expertise, To Tatou Vai (TTV) has enrolled 14 of its field staff in 2-year programs with Connexis NZ for Level 3 and Level 4 Drinking-Water Treatment qualifications in the 2023 financial year.

The Authority's disclosure of Judgement

To Tatou Vai has used judgement in identifying indicators that have the most significant effect on the selection, measurement, and presentation of the service performance information at this stage of its development. This includes measures based on the Authority's current level of development and operations as a water utility under the key service areas of Water Quality, Water Conservation and Supply, Water Asset Management, Water Authority Development. Judgement involves determining the most appropriate measures based on the context of the Authority's current development phase. The measures key services areas identified and reported upon have been selected based on what has determined to be in alignment to the organisations purpose of providing clean and consistent water supply to Rarotonga.

Statement of Comprehensive Revenue and Expenses

For the year ended 30 June 2023

	Notes	2023 \$	2022 \$
Revenue	2	3,138,855	3,035,181
Expenditure			
Depreciation & amortisation	10, 11	271,474	208,580
Personnel costs	4	1,717,977	1,521,609
Operating expenses	3	1,561,854	1,388,819
Total expenditure		3,551,305	3,119,008
Surplus / (deficit)		(412,450)	(83,827)
Income tax expense		-	-
Surplus / (deficit) for the year		(412,450)	(83,827)
Total comprehensive revenue and expenses for the year		(412,450)	(83,827)

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2023

		Accumulated comprehensive revenue and expenses	Owner Contributions	Total
	Note	\$	\$	\$
Balance at 1 July 2021		1,067,624	533,141	1,600,765
Crown Capital Expenditure			517,039	517,039
Total comprehensive revenue and expenses for the year		(83,827)	-	(83,827)
Balance at 30 June 2022		983,797	1,050,180	2,033,977
Crown Capital Expenditure	13	-	713,070	713,070
Transfer of Asset			(13,240)	(13,240)
Total comprehensive revenue and expenses for the year		(412,450)	-	(412,450)
Balance at 30 June 2023		571,347	1,750,010	2,321,357

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	6	3,771	1,405
Trade and other receivables	7	17,650	107,972
Related party receivables	14(b)	-	40,190
Prepayments		42,891	211,075
Inventories	9	676,338	481,979
Total current assets		740,650	842,621
Non current assets			
Property, plant and equipment	10	2,134,945	1,657,028
Intangible assets	11	12,059	12,809
Total non-current assets		2,147,004	1,669,837
Total assets		2,887,654	2,512,458
Liabilities			
Current liabilities			
Trade and other payables	12	130,032	95,027
Income Tax payable	5(a)	263,347	263,347
Employee entitlements	4	163,849	120,107
Related party payables	14(a)	9,069	-
Total current liabilities		566,297	478,481
Total liabilities		566,297	478,481
Net Assets		2,321,357	2,033,977
Equity			
Owner Contributions	13	1,750,010	1,050,180
Accumulated comprehensive revenue and expenses		571,347	983,797
Total equity		2,321,357	2,033,977

The accompanying notes form part of these financial statements.

Statement of Cashflows

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from the Crown and Donors		3,137,023	2,964,935
Receipts from / (Payments to) related parties		-	-
Receipts from customers		147,293	36,410
Payments to suppliers		(1,558,904)	(1,271,486)
Payments to employees		(1,674,235)	(1,512,103)
Taxes paid		-	-
Net cash from operating activities		51,178	217,756
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		(748,641)	(720,923)
Net cash from / (to) investing activities		(748,641)	(720,923)
Cash flows from financing activities			
Capital contributions		699,830	517,039
Payment of dividends		-	-
Net cash from financing activities		699,830	517,039
Net (decrease)/increase in cash and cash equivalents		2,366	13,872
Cash and cash equivalents at the beginning of the year		1,405	(12,467)
Cash and cash equivalents at the end of the year		3,771	1,405
Made up of:			
Bank balances and on-call deposits		3,771	1,405
Total cash and cash equivalents	6	3,771	1,405

The accompanying notes form part of these financial statements.



Statement of Cashflows continued For the year ended 30 June 2023

Reconciliation of comprehensive revenue and expenses to net cash flow from operating activities

	2023 \$	2022 \$
Net Surplus/ (deficit)	(412,450)	(83,827)
Add/(less) non cash items:		
Depreciation & amortisation	271,474	208,580
Total non-cash items	271,474	208,580
Add/(less) items classified as investing or financing activities	-	-
(Gains)/losses on disposal of property, plant and equipment	-	-
Total items classified as investing or financing activities	-	-
Add/(less) movements in statement of financial position items:		
(Increase)/ Decrease in trade and receivables	90,322	(8,367)
(Increase)/ Decrease in prepayments	168,184	279,160
(Increase)/ Decrease in inventories	(194,359)	(152,317)
Increase/ (Decrease) in trade and other payables	35,005	(8,791)
Increase/ (Decrease) in income tax payable	-	-
Increase/ (Decrease) in employee entitlements	43,742	9,505
Increase/ (Decrease) in related party payables	49,259	(26,187)
Net movement in working capital items	192,153	93,003
Net cash flow from operating activities	51,177	217,756

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Statement of Accounting policies

Reporting Entity

To Tatou Vai Authority ("the Authority") was constituted under the To Tatou Vai Act 2020 on the 24th November 2021. The Authority was previously registered as a company named To Tatou Vai Limited ("Company") under the Companies Act 2017. As at 24 November 2021 the net assets were transferred from To Tatou Vai Limited to To Tatou Vai Authority.

The Authority remains as a wholly owned subsidiary of the Cook Islands Investment Corporation governed under the Cook Islands Investment Corporation Act 1998.

In addition, the Contributed Capital figure that previously represented share capital is now presented as Owner Contributions given the company structure was dissolved as at 24th November 2021.

Basis of Preparation

The financial statements have been prepared on a going concern basis.

The Directors have performed an assessment of the Authority's ability to continue as a going concern covering at least twelve months from the signing date of these financial statements. In this assessment, the Directors considered the essential nature of the Authority and the Letter of Support from Government (ultimate parent) to provide financial assistance as required to ensure the Authority continues to operate into the foreseeable future, being at minimum twelve months from balance date.

These financial statements have been prepared in accordance with New Zealand Tier 2 Public Benefit Entity (PBE) IPSAS accounting standards ("PBE IPSAS"). The Authority has designated itself a Public Benefit Entity whose primary objective is to provide water infrastructure and services for public benefit. The Authority adopts the PBE accounting standards applicable under a Reduced Disclosure Regime (RDR) with an expense threshold greater than \$2 million and less than \$30 million.

The financial statements are presented in New Zealand dollars. The financial statements are prepared on the historical cost basis. The accounting policies have been applied consistently to all periods presented in these financial statements.

Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows

- (a) Cash is considered to be cash on hand, current accounts in banks and short term deposits, net of bank overdrafts.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash
- (c) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Authority. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- (d) Operating activities include all transactions and other events that are not investing or financing activities

Value added tax

All amounts are shown exclusive of Value Added Tax (VAT), except for receivables and payables that are stated inclusive of VAT.

Accounting standards issued but not yet effective

There are no new, revised or amended standards that are applicable to the Authority that have not already been adopted for the year ended 30 June 2023

Operating Expenses

Certain comparatives have been amended to match current period presentation.

Notes to the financial statements (continued)

	2023 \$	2022 \$
2 Revenue		
<u>2a Revenue from non-exchange transactions</u>		
CIG Crown appropriation	3,087,764	2,991,122
	3,087,764	2,991,122
<u>2b Revenue from exchange transactions</u>		
New Connections	10,473	19,457
Water monitoring & testing	5,034	(887)
Chargeable works recoverable	35,087	24,096
	50,595	42,666
<u>Other revenue</u>		
Interest Income	496	1,393
	496	1,393
Total Revenue	3,138,855	3,035,181

Accounting Policy:

Revenue is measured at fair value of consideration received or receivable for the sale of goods or services provided in the ordinary course of business. Revenue is stated exclusive of Value added tax and is recognised when a product is sold or service is provided.

The specific accounting policies for significant revenue items are explained below:

Revenue from Non-exchange Transactions

Non-exchange transactions occur when the Authority receives resources, such as cash or other tangible or intangible assets, without giving significant direct consideration in return.

CIG Crown appropriation

Crown appropriation revenue is provided by the Cook Islands Government through the Budget Estimates and approved by the Appropriation Bill. The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements. Revenue is intended to be spent within the same financial year. Budgeted appropriation that has not been received by year end is not recognised as revenue until the Authority has obtained the approval to carry forward the unspent portion to future periods and the funds have been received.

Notes to the financial statements (continued)

3 Operating expenses	2023	2022
Other Expenses	\$	\$
Water Intake Expenses	130,918	33,132
Pump Stations	1,824	-
Water Stations	13,731	5,969
Water Treatment Expenses	16,295	145,180
Chemicals	265,641	392,712
Water Quality	94,805	84,107
Network and Distribution	41,291	70,399
Admin & General Expenses	44,239	30,549
Recruitment Costs	43,842	16,849
Health & Safety	9,994	11,681
Workshop & Training	125,098	7,621
Repairs & Maintenance	44,386	50,931
Motor Vehicle Expenses	44,032	33,012
Motor Vehicle Fuel/Oil	89,903	63,502
Insurance Expenses	50,219	37,274
Professional Fees	211,016	149,284
Audit fees	29,828	24,826
Director's Fees	103,208	87,334
Bad and Doubtful debts	(74)	(717)
Office Expenses	127,052	145,174
Other Expenses	74,605	-
Total Other expenses	1,561,854	1,388,819

4 Personnel Costs	2023	2022
	\$	\$
Salaries & wages	1,648,507	1,459,504
Defined contribution plan employer contribution:	69,470	62,105
Total personnel costs	1,717,977	1,521,609

Employee entitlements	2023	2022
	\$	\$
Accrued salaries and wages	69,778	43,960
Annual leave	94,071	76,147
Total employee entitlements	163,849	120,107

Accounting policy:

Short term benefits:

Short-term employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date.

On resignation, employees are entitled to a pro-rata apportionment of annual leave and as such an accrual is recognised in line with the period of service. A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Superannuation Schemes:

The Authority contributes to the Cook Islands National Superannuation Fund. This fund is a State defined contribution fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Notes to the financial statements (continued)

5 (a) Income tax payable	2023	2022
	\$	\$
Opening balance	263,347	263,347
Current tax expense	-	-
Income tax payments made	-	-
Closing income tax payable	263,347	263,347

Accounting Policy:

Current tax is the expected tax payable in respect of previous years.
The Authority is not subject to taxation on current year profits.

Judgements

As detailed in note 1, the entity and its operations were transferred to the Authority and is exempt from income tax under the To Tatou Vai Act 2020. At the time of signing these financial statements, the Authority is waiting on confirmation from the Revenue Management Department (RMD) and the Ministry of Finance & Economic Management (MFEM) that the income tax owing prior to the Authority's existence will be settled via a separate and specific appropriation from MFEM or otherwise. Given confirmation of treatment remains outstanding at the time of signing, the Authority continues to recognise historical balances as owing in these financial statements.

6 Cash and cash equivalents	2023	2022
	\$	\$
Cash at bank	1,986	505
Cash on hand	1,785	900
Total cash and cash equivalents	3,771	1,405

Accounting Policy:

Cash and cash equivalents includes cash on hand and deposits held on call with banks.

Notes to the financial statements (continued)

7 Trade and other receivables

	2023	2022
Trade receivables	\$	\$
Trade receivables	21,990	13,689
Less: Provision for doubtful debts	(4,340)	(4,414)
Total trade and other receivables	17,650	9,275

	2023	2022
	\$	\$
The aging profile of receivables at year end is detailed below:		
Not past due	-	-
Past due 1-30 days	5,378	661
Past due 31-60 days	387	1,233
Past due 61+ days	16,225	11,795
Total	21,990	13,689

All trade receivables greater than 30 days in age are considered to be past due
All trade receivables are from exchange transactions.

Accounting Policy:

Short term receivables are recorded at their face value, less any provisions for doubtful debts.

8 Financial Instruments

(i) Financial assets

Financial assets comprise Cash and cash equivalents, and trade and other receivables. These are all classified as amortised costs as they are:

- held within a business model whose objective is to hold assets in order to collect contractual cashflows; and
 - the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (if applicable).
- These assets are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost.

(ii) Financial liabilities

Financial liabilities comprises trade and other payables, income tax payable, employee entitlements, and related party payables. These are measured at amortised cost.

The Authority derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Impairment

The Authority considers impairment using the expected credit loss (ECL) model for the following financial assets that are not measured at FVTPL:

- Cash and cash equivalents
- Trade and other receivables

Measurement of Expected Credit Loss

Expected credit loss (ECL) is calculated based on a function of the probability of default, loss given default and exposure at default.

The Authority applies ECL model separately for each financial asset category measured at amortised cost.

ECL is calculated based on the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cashflows that the Authority expects to receive). ECL for cash and cash equivalents is calculated based on industry standard probability of default and loss given default based on the credit rating of each financial institution where funds are held.

As trade debtors are normally paid within 30 days and do not have a significant financing component the Authority has applied the simplified approach in PBE IPSAS 41 and therefore only recognising lifetime ECL.

Notes to the financial statements (continued)

8 Financial Instruments (continued)

Interest rate risk

This is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Authority's exposure to interest rate risk is limited to its bank deposits which are held at variable rates of interest. The Authority does not actively manage its exposure to this risk however it is not considered to have a significant impact given the balance is small and held at call.

Liquidity risk

Liquidity risk represents the Authority's ability to meet its contractual obligations. The Authority evaluates its liquidity requirements on an ongoing basis.

Where additional access to funding may be required the Authority will request assistance from the Crown.

In light of current global economic uncertainty, the Government of the Cook Islands has provided a letter of support confirming it will provide financial assistance to the Authority where necessary to continue its operations as a going concern.

Credit Risk

Credit risk is the possibility that a loss may occur from the failure of a counterparty to perform according to the terms of the contract. In the normal course of business, the Authority is exposed to credit risk from cash and cash equivalents and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amount in the statement of financial position. The Authority does not hold any collateral for financial instruments that give rise to credit risk.

Significant concentrations of credit risk

		2023	2022
		\$	\$
Bank of South Pacific, Cook Islands	B-	1,986	-
Trade receivables	N/A	21,990	13,689
Value added tax receivable	N/A	-	-
Related party receivable	N/A	-	40,190

9 Inventories

	2023	2022
	\$	\$
Inventories	676,338	481,979
Total Inventories	676,338	481,979

Accounting Policy:

Inventories includes consumables and goods used in the provision of water sanitation, storage and distribution services including the repair and maintenance across the water infrastructure networks.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis, which is determined using the first-in-first-out principle. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

The carrying amounts of the Authority's inventories are reviewed at each balance date to determine whether the cost of the inventories are recoverable.

An impairment loss is recognised whenever the carrying amount of inventories exceeds its net realisable value. Impairment losses directly reduce the carrying amount of inventories and are recognised in comprehensive revenue and expenses.

Notes to the financial statements (continued)

10 Property, plant and equipment

	2023						
	Motor vehicles	Computer equipment	Lease improvements	Office furniture	Plant & equipment	Asset in transit	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance at 1 July 2021	339,495	78,974	68,261	91,838	418,296	295,507	1,292,371
Additions	39,600	43,171	61,417	39,804	332,357	204,574	720,923
Disposals	-	-	-	-	-	-	-
Transfers in/(out)	207,391	-	-	7,625	76,155	(291,171)	-
Balance at 30 June 2022	586,487	122,145	129,678	139,267	826,808	208,909	2,013,294
Balance at 1 July 2022	586,487	122,145	129,678	139,267	826,808	208,909	2,013,294
Additions	449,529	4,714	-	14,293	60,626	310,015	839,178
Disposals	(36,948)	-	-	-	-	-	(36,948)
Transfers in/(out)	5,106	19,158	-	7,942	-	(109,504)	(77,297)
Balance at 30 June 2023	1,004,173	146,018	129,678	161,502	887,434	409,420	2,738,226
Accumulated Depreciation and impairment losses							
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	68,455	19,957	5,760	11,720	42,544	-	148,436
Depreciation for the year	90,363	21,436	2,048	18,462	75,521	-	207,830
Depreciation on disposals	-	-	-	-	-	-	-
Balance at 30 June 2022	158,818	41,393	7,808	30,182	118,065	-	356,266
Balance at 1 July 2022	158,818	41,393	7,808	30,182	118,065	-	356,266
Depreciation for the year	115,088	33,750	3,890	24,068	93,927	-	270,724
Depreciation on disposals	(23,708)	-	-	-	-	-	(23,708)
Balance at 30 June 2023	250,198	75,143	11,698	54,250	211,992	-	603,282
Carrying amount							
At 1 July 2021	271,040	59,017	62,501	80,118	375,752	295,507	1,143,935
At 30 June and 1 Jul 2022	427,669	80,753	121,870	109,085	708,743	208,909	1,657,028
At 30 June 2023	753,975	70,876	117,979	107,252	675,443	409,420	2,134,945

Accounting Policy:

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Authority. Ongoing repairs and maintenance is expensed as incurred.

Notes to the financial statements (continued)

10 Property, plant and equipment (continued)

(iii) Depreciation

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

Depreciation is recognised in comprehensive revenue and expenses on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain ownership by the end of the lease term. Depreciation rates applied are consistent with those prescribed by the Revenue Management Department.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Motor vehicles	5-10 years	Office furniture	4-10 years
Computer equipment	4 years	Plant & equipment	4-20 years
Lease improvements	Period of lease		

When calculating recoverable value, the fair value of property, plant & equipment is based on the cost approach using the depreciated replacement cost approach. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

The carrying amounts of the Authority's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in comprehensive revenue and expenses.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment Consideration

The Authority performed an assessment to determine if there is impairment of the Authority's Property, Plant and Equipment. This assessment included judgement over whether the level of assets held is in excess of what is required, and whether the useful life of the assets have reduced.

The Authority has concluded that, given the nature of the Authority's activities any impact has been minimal. There has not been any change to the useful life of the assets held, and the requirement and necessity for the assets has not changed. Being the sole and central water utility provider in Rarotonga, the Authority is considered an essential requirement for the country. It is considered the level of assets held are necessary in order for the Authority to meet its service provision requirements.

11 Intangible assets

Cost	\$
Balance at 1 July 2022	6,000
Additions	-
Disposals	-
Balance at 30 June 2023	<u>6,000</u>
Accumulated Depreciation and impairment losses	\$
Balance at 1 July 2022	2,246
Amortisation for the year	750
Elimination of Disposals	-
Balance at 30 June 2023	<u>2,996</u>
Work in progress	
Balance at 1 July 2022	9,055
Additions	-
Balance at 30 June 2023	<u>9,055</u>
Carrying amount	\$
At 30 June 2022	<u>12,809</u>
At 30 June 2023	<u>12,059</u>

Accounting Policy:

Intangible assets are made up of software. The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for each financial year is recognised in comprehensive revenue and expenses

Impairment Considerations

The Authority has considered the nature of and impacts on intangible assets. The software held is required to perform essential service, regardless of activity volume, there is no excess capacity or over design in software, there has been no change in useful life of the software, and therefore the Authority considers no impairment exists.

Notes to the financial statements (continued)

12 Trade and other payables	2023	2022
	\$	\$
Payables under exchange contracts		
Trade payables	47,188	32,040
Deferred income	5,806	4,852
Other payables	29,797	36,427
Total payables under exchange transactions	82,791	73,319
Payables under non exchange contracts		
Value added tax payable/(receivable)	11,167	(98,697)
Other payables	36,074	21,708
Total payables under non exchange transactions	47,241	(76,989)
Total trade and other payables	130,032	(3,670)

Accounting Policy:

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These are short-term liabilities and therefore the carrying amounts materially equate to fair value.

13 Owner Contributions	2023	2022
	\$	\$
Balance at 1 July	1,050,180	533,141
Crown capital expenditure	713,070	517,039
Transfer of asset	(13,240)	
Balance at 30 June	1,750,010	1,050,180

During the 30 June 2023 financial year, the Authority received \$713,069.68 of Crown Capital Expenditure for the purchase of capital assets.

Government Contributions

During the reporting period, To Tatou Vai Authority received 6 donated motor vehicles, which has been recognised in the Statement of Financial Position as an asset, and as Owner Contributions by way of direct equity injection for Crown capital expenditure by the Cook Islands Government. The fair value of this funding has been determined to be equivalent to the amounts due in the specific funding arrangements.

14 Related parties

The Authority's owners are:

Cook Islands Investment Corporation	1%
Cook Islands Government Property Corporation	99%

The Cook Islands Government Property Corporation is an immediate in substance subsidiary of the Cook Islands Investment Corporation (CIIC). The Authority is controlled and managed by CIIC and is considered to be a subsidiary of CIIC. The ultimate owner of the Authority is the Government of the Cook Islands.

Related parties include Government ministries, agencies, and state owned enterprises by way of common owner. Included in expenses are amounts paid to Te Aponga Uira and Telecom Cook Islands Limited. These entities are fellow subsidiaries and associates of CIIC.

(a) Related party payables	2023	2022
	\$	\$
Cook Islands Investment Corporation	9,069	-
Ministry of Finance and Economic Management (MFEM)	-	-
	9,069	-

The balances are repayable on demand and do not bear interest.

(b) Related party receivables	2023	2022
	\$	\$
Ministry of Finance and Economic Management (MFEM)	-	40,190
	-	40,190

Related party receivables are from non-exchange transactions.

(c) Related Party Transactions	2023	2022
	\$	\$
Electricity expense paid to Te Aponga	18,781	18,655
Communication expense paid to Vodafone Cook Islands	31,270	23,215
	50,051	41,871

Notes to the financial statements (continued)

14 Related parties continued

	2023	2022
(c) Key management personnel compensation	\$	\$
Board members remuneration	103,208	87,334
Number of directors	7	6
Senior management remuneration	635,676	510,000
Full time equivalent members	6	5

In the reporting period, \$7,375 (2022: \$1,500) was paid to a close family member of a senior management member of the Authority, in compensation for IT services provided.

15 Capital commitments and operating leases

At balance date, the Authority has no capital commitments (2022: nil)

Operating leases as lessee

At balance date, the future aggregate minimum payments to be paid under non-cancellable operating leases are as	2023	2022
	\$	\$
Not later than one year	-	-
Later than one year and not later than five years	-	36,400
Later than five years	-	-
Total non cancellable operating leases	-	36,400

Subsequent to balance date, the Authority entered into a lease agreement, with payments totalling \$85,280 over the two year term.

Accounting Policy:

The Authority recognises operating lease payments in comprehensive revenue & expenses on a straight-line basis over the term of the lease.

16 Contingencies

As of 30 June 2023, there are no contingent liabilities recorded for the current financial year.

In the prior year, an estimate of \$5,000 was accounted for, concerning a claim relating to final services provided by an ex-contractor to the Authority. The claim has since been discontinued.

17 Events after balance date

No subsequent events to disclose.