

SAMOA WATER AUTHORITY
ANNUAL REPORT



water for life
suavai mo le ola

2017 - 2018 |

STATEMENT TO PARLIAMENT



Hon. Papali'itele Unasa Niko Lee Hang

The Honourable Speaker
Legislative Assembly of Samoa

I am pleased to present the Annual Report for the Samoa Water Authority for the Financial Year ended 30 June 2018 in accordance with Part II Division 5 Section 20 Subsection (5) of the Samoa Water Authority Act 2003.

The 2017– 2018 Annual Report provides an overview of performance and business highlights as well the audited financial statements for the Authority.

The report will be made available electronically at the SWA website www.waterauthority.ws following endorsement by the Legislative Assembly of Samoa.

Ma le fa'aaloalo,

A handwritten signature in blue ink, appearing to read 'Papali'itele Unasa Niko Lee Hang'.

Papali'itele Unasa Niko Lee Hang
MINISTER FOR SWA
MINISTER OF WORKS, TRANSPORT AND INFRASTRUCTURE

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BOARD OF DIRECTOR'S REPORT

Overview

The Samoa Water Authority committed to its priorities of improved water quality, increased coverage and financial sustainability during the 2017/2018 financial year.

It experienced a slight hindrance on its financial performance, however it endured and committed to increasing coverage to new areas providing many with access to water, and completing major rehabilitation work to existing urban networks which greatly increased quality and reliability.

The Authority encountered many issues but it reflects on the 2017/18 financial year as one where it made a positive impacts to the lives of many people post natural disasters and continues to greatly improve Samoa's water supply infrastructure as many new developments are underway.

Progress is continuing to through partnerships with our donor partners as well as the Government to enable the development of the Samoa Water Authority as a sustainable supplier of safe, treated water, offering its customers excellent service, and ensuring a difference is made to the communities and the Samoan people.

Activities and Performance

The Board of Directors continues to meet regularly on a monthly basis to discuss status of operations, progress of capital projects, and status of funds and ongoing activities of the Authority. The Audit Committee also carried out meetings every quarter to assess and advise the Board on audit activities and compliance issues for the Authority.

The Board recognises that the Authority needed a fair tariff to facilitate its operations and developments hence the new proposed tariff approved by Cabinet in February 2018 to be implemented in July 2019. The review of the SWA Act is in progress to enable a strong mandate to programmes and activities in the coming years. The Authority has navigated through tough waters during the financial year 2017-2018 with natural disasters and the challenges it brought, however it was both bitter sweet noting the achievements as well in the reported period.



Hon. Matataualiitia Afa Lesa

CHAIRMAN BOARD OF DIRECTORS

MANAGING DIRECTOR'S REPORT

KEY ACHIEVEMENTS

The Samoa Water Authority was the proud host of the 10th Pacific Water and Waste Water Conference in August 2017 subsequently winning 4 prestigious awards¹. The Authority provided a benchmark of quality, efficiency and above all a successful conference for all of its Pacific Island Counterparts

Without proscribing overall achievements for the year, the following are highlighted:

- Continuous improvement of supply and extension of its coverage area throughout the financial year 2017-2018 covering lengths of more than 3000 meters installed at Mutiatele and Ulutogia Aleipata, Toamua-uta, Afiamalu and Malololelei
- 5km of PE pipes was commissioned for families at Faleasiu uta
- extending network on high elevation at Papaseea uta
- Installing new submains at Sataua and Neiafu.
- The works for Manono-tai pipelines by the 30th of June 2018 was 90% completed.
- Upgrade the treatment plant at Aleisa and
- Upholding the 100% compliance with National Drinking Water standards by installing a new chlorination units at Fogatuli, Asau, and Letui.
- A newly drilled borehole with a depth of 218mt Sataua is completed with a pump test to determine efficiency of pump used and performance aquifer has been completed as well.

Navigating the challenges from Cyclone Gita in the second half of the financial year period presented the Authority with a number of issues (Annex 1) for all Operation and Maintenance divisions², the strength through unity and stance of the employees was the pillar that held everything together. All staff were deployed with recovery works straight after the cyclone and though there was much to be done, there was plenty completed with everyone on board and issues were resolved and were back to normal within a few days and monitoring and maintenance work was ongoing to ensure that all systems are performing up to standard.

The Authority's commitment to upgrade the quality of its employees continue to engage the relevant personnel in both local and international trainings. A total of 48%³ of international trainings were attended by 29 employees varying from the technical and operations to records management while 52%⁴ were conducted locally and 36 employees

¹ Best Environmentally Friendly Utility Waste Water Collection and Treatment, Group 2: Most Improved Utility, Group 2: Best Utility 2017, Overall Winner-2017 Best Utility

² Urban, Rural, Savaii and Wastewater.

³ 12 trainings

⁴ 13 trainings

were fortunate to learn various soft skills trainings⁵. Moreover the Authority in developing the employees of tomorrow provided various opportunities to 15 students from technical vocation schools⁶ around the country while 20 university students from different fields⁷ of study were offered part time employment during their school holidays.

ISSUES AND CHALLENGES

The financial year 2017-2018 was not without its challenges. One of the major issues impacting the works of the Authority was its financial situation when there was a reduction of its Community Service Obligation (CSO) allocation by 50% which funded three⁸ of its major expenses. These Community Service Obligations are statutory obligations pursuant to the Public Bodies (Performance and Accountability) Act 2001 and must be discharged by the Authority as part of its social obligations to the community. These CSOs are for the most part not economically advantageous for the Authority but undertaking must be done so as to comply with directions issued for CSOs. The funding from Government for these CSOs is intended to counter the financial load these CSOs have on the Authority's financial sustainability but with recent cuts the challenge presented is compounded even more.

Climate change and its impact on water security has brought about many challenges to the vulnerable Pacific countries and Samoa is not an exception. The Authority continued to strategize its production of efficient supply of quality water with its rationing scheme during the dry season in the first quarter of the financial year to vulnerable areas⁹. The advent in February 2018 of Cyclone Gita and the resulting damage and repair and recovery consequences for the Authority's infrastructure and facilities caused reprioritization of funds already committed to other developments. Additional person hours for remedial actions had to be put in place to ensure quality service directly after Gita, while turbidity problem from the main rivers continued to cause issues to the Authority's operations from the Alaoa, Malololelei and Fuluasou treatment plants.

The willingness of customers to pay their water bills continues to be a challenge leading to extensive measures imposed and requiring additional resources to towards debt recovery. One of the measures implemented to address this challenge was to make it easier for our customers to pay their bills as one of the willingness to pay issues was ease of access to payment facilities. The Authority setup a mobile collection arrangement specifically for rural areas to enable customers to pay their bills with ease.

The inland relocation drift has also been a challenge as many people are moving further inland where there are no existing water supply infrastructure and consequently the Authority has received requests for water connections from people who are living too far

⁵ Report Writing, Customer Service, First Aid training.

⁶ Laumua o Punaoa, Uesiliana, Don Bosco, and NUS

⁷ Engineering, Science and Management

⁸ Electricity costs, operation of boreholes and land compensation

⁹ Afiamalu, Ti'avea-uta, Ti'avea-tai, Samusu and Tiavi

from the existing network and in many cases live in an area where a viable water source (groundwater or borehole) is scarce. While the Authority is mindful of this drift, the planning and design of a suitable infrastructure to be constructed is a lengthy comprehensive exercise which subject to funding and requisite approvals involves hydrogeological research (for source of water) to designing to tendering for and commissioning the construction works – and this is only for those areas where the number of residents make it a viable and cost-beneficial exercise. On the flip side of this is the challenge presented by a transfer of previously independent water schemes to the SWA. Many if not all of these schemes have operated haphazardly over the years, regulated only by the water committees in each village and consequently much of their infrastructure is aging, requiring repair or replacement and constructed in non-compliance of SWA construction standards. Moreover, the costly implications of have to transfer the independent water scheme to the SWA, though it is still in a discussion state presented a problem in terms of costs and capacity required to upgrade and manage these schemes.

The Authority as well has had issues with paying compensation claims for pipelines installed in private properties without the proper records verifying previous arrangements and agreements in the past when the Authority's infrastructure were initially installed. This has led to claims that are currently pending in court affecting the Malololelei scheme and the Vaea (Palisi) transmission lines.

OPERATIONAL PERFORMANCE AND RESULTS

Water Supply

Service Coverage

Approximately 83% of the population of Samoa It is estimated to be provided water by the Authority owing to network extension and improvement works over the years. The SWA customer database is an ongoing effort to confirm and reflect the actual water supply coverage provided by SWA. Significant improvements have been done to the database in identifying customers registered more than once, connected but not registered and for some abandoned houses.,

Figure 1 reports on domestic and commercial customers being billed to giving an indication of the SWA water supply coverage per service area. It reflects an increasing trend since 2015 in view of capital works, improved database records and billing efficiency.

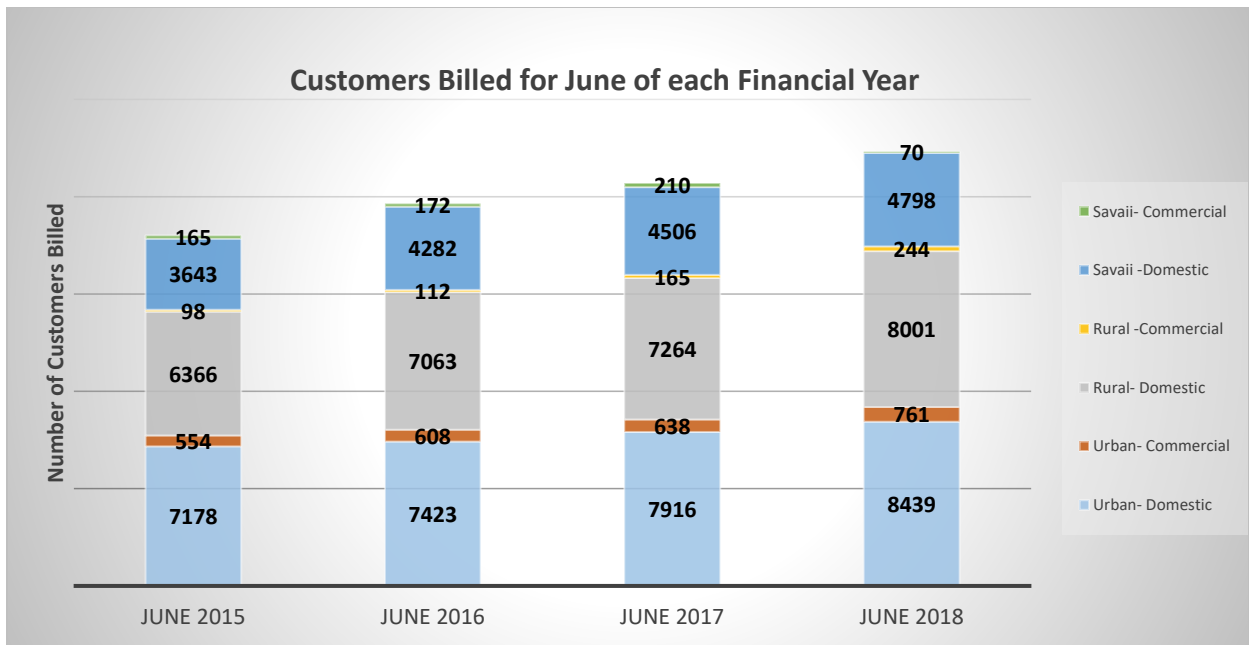


Figure 1 Number of Customers billed for last month (June) of Financial Year

Water Quality

The Authority places strong emphasis upon proper operation of existing chlorination facilities as well as extending disinfection services to rural areas. This has seen an increase of water quality monitoring by the Water Quality Unit (WQU).

For the period reported the water quality performance targets were achieved as part of the Water and Sanitation Sector Plan (WSSP) 2016 -2020 outcomes. A monthly average of 100% was achieved for the Upolu main slow sand filtration plants¹⁰. Figure 2 show that all twelve months were well above target of 90%. Additionally, at end of June 2018, 22 SWA boreholes had operational chlorination facilities against a target of 40 boreholes. This is due to several reasons which includes the remote locations of boreholes which require

¹⁰ Malololelei, Alaoa Fuluasou JR and Fuluasou EU

resources for continuous monitoring

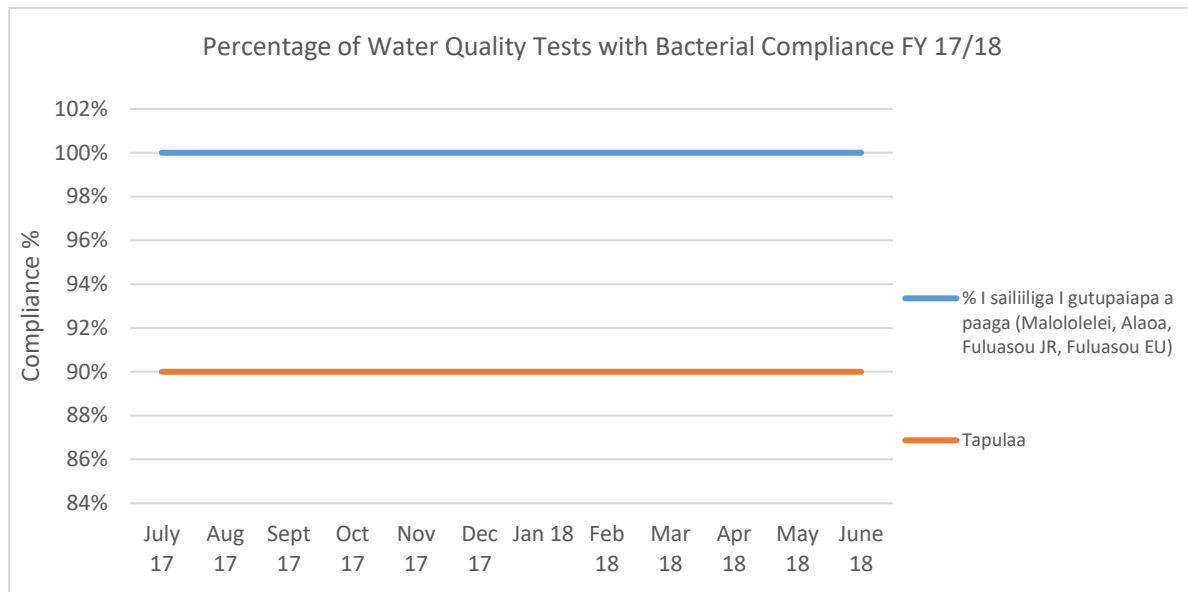


Figure 2. % of SWA water quality tests for main Upolu SSF Plants meeting Samoa National Drinking Water Standards

Water Loss Management

The introduction and installation of PRV and isolation valves play a vital role in water pressure management and control, which reduces the risk of burst pipes and leakages resulting in NRW reduction

Planned PRV works were carried out according to the following to improve water pressure:

- Four pressure reducing valves (PRV) were installed at the Lefaga-Tanumalala and Lufilufi distribution lines to manage pressure.
- There was also works on the renewal of Tiavi PRVs program. The replacement PRVs will manage the pressure more efficiently and avoid frequent burst pipes as noticed along the Tiavi Road
- New PRVs were installed on the pipeline that feeds Manono-tai to manage pressure and avoiding too much on the submarine pipeline
- PRV installations on the Alaoa system for regulated pressure control.

The finalisation of Alaoa District Metered Areas (DMAs) was completed with the installation and completion of Isolation valves and Pressure Reducing Valve (PRV) chambers. A total of 12 DMAs have been isolated with preliminary monitoring identifying DMA5 (Urban Central- that includes Lalovaea, Saleufi, Apia up to Matautu) and DMA6 (Urban West) as having the highest water losses within the Alaoa water scheme. As such, DMA 5 and 6 have been prioritised for NRW works

Ongoing pressure management and leak detection works continue throughout all of SWA systems with the assistance of the CEPSo program targeting the Alaoa system and the Non-Revenue Expert on other priority areas for Urban, Rural and Savaii

The Urban NRW target (2650 L/connection/day) set out for the Financial Year 2017/18 was achieved (2,242 L/connection/day). This indicator looks into losses from the three main Urban Plants (Malololelei, Alaoa, Fuluasou JR). It is also encouraging to see reduction in NRW across the Organisation. Table 1 illustrates this decreasing trend attributable to the efforts of three of the O&M divisions with the exception of the Rural Division which poses a challenge for the Authority.

Table 1. NRW achievements across O&M Divisions

Division	Units	2014 – 2015	2015-2016	2016 - 2017	2017-2018
Urban	%	64%	59%	54%	51%
	L/connection/day	3,430	2,790	2,500	2,242
Rural	%	62%	58%	51%	54%
Savaii	%	70%	65%	58%	51%

Note: (a) NRW for Urban Treated Schemes - Malololelei, Alaoa and Fuluasou JR

Wastewater

Table 2 below shows continuous effective management of the Wastewater Plant at Sogi with effluent discharge compliant with standards. The inflow and infiltration reduction program is ongoing as well as electrical upgrades to some pump stations. A slight decrease in all three performance indicators for the financial year 2017-2018 is due to impact of cyclone Gita and plant operation issues affected its performance.

Table 2. Wastewater Operational Performance Data

Performance Indicator Description	Operational Performance 2014-15	Operational Performance 2015-16	Operational Performance 2016-17	Operational Performance 2017-18
Average daily wastewater inflow to the WWTP (m3)	542	656	680	629
Wastewater Treatment Plant Utilization (%)	54%	66%	67%	63%
Percentage of effluent samples complying with SPREP standards	96% – all but two months at 75%	100%	100%	93%

OVERVIEW OF THE WORKFORCE

The Authority employed a total of 268 employees at the end of June 2018. This number fluctuated slightly throughout the year depending on employees' turnover. There was no review on the Organization structure of the Authority, however there is a need to prioritize a structure review due to the demanding nature of the work. At the end of the financial year, the SWA employed a majority of male employees with a proportion of 76% male and 24% female. This is essentially due to the nature of the Authority's core business. However a Gender balance exists in the Contractual level comprising of Managers, Engineers and professional staff. There is an increase noted in the number of female graduates in the specialized fields of Engineering and Science compared to the number of males, and this is likely to be the trend going forward.

The Authority continues to employ three types of employees, Contract, Permanent, Part time, with the Majority being permanent employees. Contract employees are mainly for high level positions including Engineers and Management level. A small portion of the SWA's workforce comprises of part time or temporary employees which include Technical Assistants and wage workers.

Overall 84% of employees carry out day to day operational functions including Systems operations and maintenance and customer services. Sixteen percent (16%) of employees provide support services which include employees in the Office of the Managing Director, Corporate Management Division, Communications & IT and Finance unit.

SUPPORT FOR NATIONAL AND SECTOR PLANS

The SWA's role in achieving the Water Sector objectives in Key Outcome nine (9) under priority three (3) of the Strategy for the Development of Samoa; "Access to clean water and sanitation" sustained with six major objectives which made up the Water Plan. The Water Sector is further divided into various subsectors for the implementation of 6 major objectives and 8 Intermediate Outcomes. SWA is responsible for 6 of the 8 Intermediate Outcomes and 29 of the total 42 priority actions set out in the Water Supply Logical Framework. The Authority continues to make considerable progress towards its long term goal of providing a reliable, safe and improved water supply to the people of Samoa.

The financial year 2017/18 has seen further improvement in coverage and increased access to treated and chlorinated water supply.

The following is an overview of achievements reflected under each Outcome in the Water and Sanitation Sector Plan, with details of these achievement already detailed in the Managing Directors report.

OUTCOME 3.1 – INCREASE ACCESS TO WATER SUPPLY (WATER SUPPLY COVERAGE)

SWA's efforts to sustainably deliver access to safe & reliable piped water supply to both the urban and rural areas remains a key priority. Despite the ongoing operational challenges and that of water source reliability, the Authority continues to improve on its services and expands its supply coverage to areas without water

An estimation of water coverage for the population of Samoa stands at 83%, and this figure will become more consistent in the near future as ongoing efforts are in place to improve the SWA customer database that would confirm and reflect the actual water supply coverage provided by SWA

By taking into account climate change and water security concerns, the Authority has also prioritised drilling for underground water as an alternative to not only areas without a reliable water source but to communities with concerning levels of saline contamination. As such, the Sataua borehole was drilled with satisfying yield and water quality results from the May 2018 pump test in addition to Saleaumua drilling works which are well underway with pumping test to follow. Drilling works to extend to other planned rural sites.

Outcome 3.2: NON-REVENUE WATER (NRW) REDUCED

The important goal of reducing NRW continues to be a priority in the Authority's operations. Water loss management strategies such as leak detection, pressure management, pipe relocations, GIS updating and many other capital works have considerably reduced NRW

Outcome 3.3: DRINKING WATER QUALITY IMPROVED

The provision of a safe water supply is a vital part of the Authority's services, ensuring compliance to the Samoa National Drinking Water Standards (SNDWS), guided by the World Health Organisation's guidelines. The Authority continues to have additional resources dedicated to improving compliance levels. The ongoing rehabilitation of untreated water supplies has contributed a lot in the improvement of water quality, including operational chlorination facilities at Rural and Savaii borehole sites, Rapid Sand Treatment Plants continue to be chlorinated with increased monitoring, Rehabilitation of roughing and slow sand filters, Chlorination facilities for Urban and Rural Slow Sand Treatment Plants operational with regular maintenance and monitoring and Increased frequency of water quality monitoring by the Water Quality Unit with Savaii schemes monitored on a monthly basis as well an increase in sites to be monitored.

Water quality compliance to the SNDWS continues to be maintained for the main Urban and Rural Schemes (Malololelei, Alaoa, Fuluasou JR and Fuluasou EU). The monthly average for the fiscal year was 100%, exceeding the previous average of 99%.

Outcome 3.4: FINANCIAL SUSTAINABILITY ENHANCED

SWA with the decrease in its Community Service Obligations for current Financial Year, had to make up for the shortfall in the provision of water supply to non-commercial areas and

also committed to pay the dividend declared on Profit for Financial Year 2016-2017. Details of the financial report presented in the Financial Report section of the report.

Outcome 3.5: CUSTOMER/ COMMUNITY SATISFACTION AND KNOWLEDGE INCREASED

The SWA's Public Relation Unit continues to increase awareness for our customers through effective dialogue and various programs and improving responsiveness to complaints ensuring that our customers are given the best service. Our Public Relations Unit have carried out and are continuing to implement the following;

- Community outreach programs,
- Radio talk awareness programs,
- Community consultations on particular issues,
- Radio, television and social media notices for urgent announcements such as water disruptions, disconnections and all water related issues,
- New and improved advertisements on job opportunities at the SWA, the water tariffs and water conservation means through radio, television as well as the utilisation of digital billboards,
- Schools Educational Awareness Programs (SEAP)
- Continued support for educational programs such as field visits at treatment facilities.
- Participate in National commemoration days and Academic Institutions open day programmes

Outcome 3.6: ORGANISATIONAL CAPACITY ENHANCED AND IMPROVED OFFICE FACILITIES

The SWA continues with programs enhancing the professional capacity of employees improving staff performance and productivity. A total of 25 trainings were available for the SWA employees to attend with 12 (48%) international trainings and 13 (52%) local trainings and participants varied from the technical and operational staff to staff employed in the support services.

The Communication and Information Technology Division continues to assist in improving consumer awareness and support through our updated website design, improved internal systems and network support and improved categorisation, coding and centralisation of the customer complaints database as well as being the focal point for our facebook social media page.

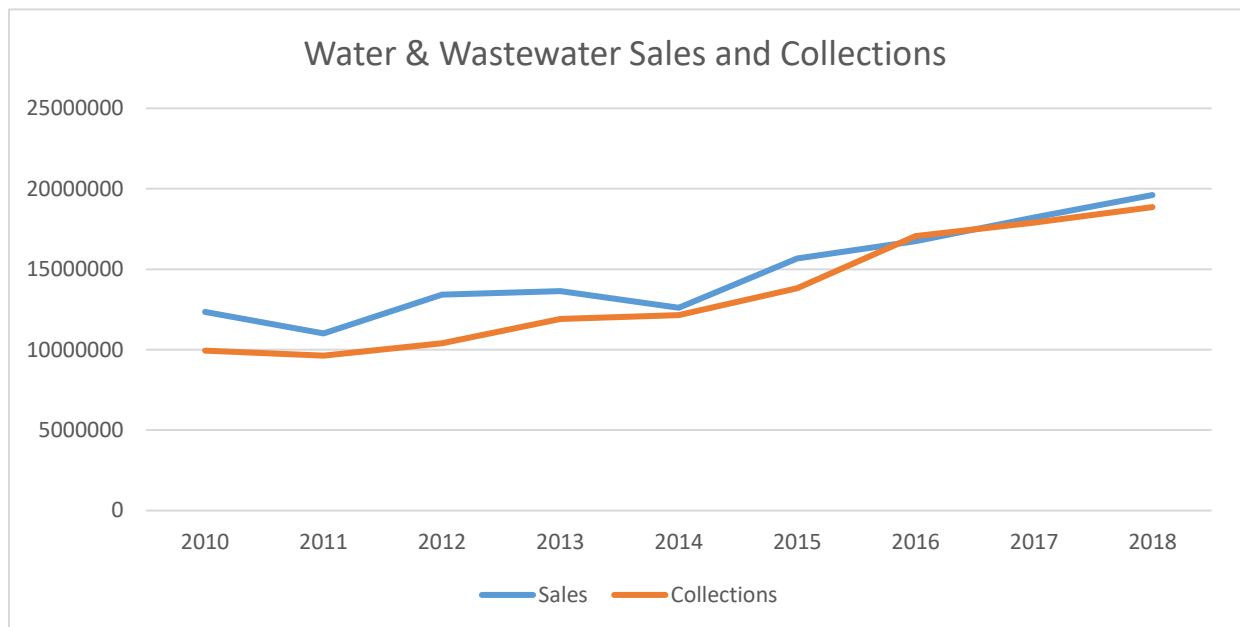
The SCADA program completed during the Financial Year 2017-2018 with a working group put in place to oversee its progress while phase 2 is pending on network availability (APN) from Digicel and Bluesky.

Preliminary survey and discussions for the new Vaitele Headquarters design well underway with implementation anticipated in the upcoming fiscal year.

OVERVIEW OF FINANCIAL PERFORMANCE

The Authority continues to positively progress in providing quality service to our customers in return for them to become more willing to pay for services. Extreme measures continue to be implemented to collect long outstanding water debts and in November SWA started a weekly mobile collection run for Upolu rural areas with Savaii coming on board in the next financial year. A collection booth at Mulifanua wharf will also open in the next financial year to make water bill payments more accessible to our customers, adding on to Vaitele market, Asau office, Samoa Post and Commercial banks.

Improvements contributed to the consistent increase in revenue by 7% & collection by 5% from past year. Expenses however increased due to SWA hosting the Pacific Water and Wastewater forum in August 2017 as well as increase in operation and maintenance of infrastructure assets to address non-revenue water.



Net profit dropped in comparison to last year as CSOs were decreased from \$3.4m to \$1.9m and SWA made up for the shortfall in community service obligations. SWA's ROE is at 0.3% below the ROE policy of Government of 7% but 50% Dividend has been declared for 2016/2017 profit and currently paid.

PROGRESS WITH CORPORATE OBJECTIVES

Strategy	Progress
Objective 1: CUSTOMER SATISFACTION AND COMMUNITY ENGAGEMENT	
Resolve WW customer complaints within 24 hrs.	Achieved/ongoing – 100%
Resolve water customer complaints within 3 working days (not including complaints resulting from Natural Disasters)	Ongoing progressing well, improvements in our recording systems ongoing.
Installation of new connections within 10 working days from date of payment	Ongoing and progressing well
Water bills delivered on a monthly basis	Achieved 99%. Ongoing progressing well
Carry out at least 1 community awareness activity a month	Completed school awareness programme in Savaii
Objective 2: IMPROVE SERVICE DELIVERY	
Compliance with drinking water standards	100% average compliance with National standards for main treatment plants
Wastewater Treatment Plant Compliance with SPREP Effluent Standards	100% compliance
Wastewater Treatment Plant Utilization	62% Ongoing extensions adding new properties
Non-Revenue Water	Ongoing – figures in KPI Table
Installation of Submains extending coverage	Ongoing – Achieved (Faleasiu-uta, Seese-uta, Sataua,)
Increase number of existing borehole supply with disinfection facilities	Ongoing – 10 Upolu 11 Savaii
Objective 3: FINANCIAL SUSTAINABILITY	
Operation Cost Recovery	Improving/ongoing
Billing Efficiency	Achieved - Ongoing
Collection Efficiency	Achieved, ongoing
Reduce Accounts Received Turnover Days	Ongoing
Reduce Debts owed to SWA	Ongoing – progressing well, special disconnection programs ongoing and legal notices for significant amounts
Increase Metered customers	Ongoing –Aleisa scheme and Faleasiu-uta
Improve Return on Equity	Ongoing
Objective 4: INTERGRATED WATER MANAGEMENT	
Hold community consultations before, during and after implementation of all capital works	Achieved – Magiagi and Manono-tai
Drinking Water Safety Plans	Ongoing
Asset Management Plan	Ongoing
Participate in TSC meetings	Achieved/ongoing
Participate in other subsector meetings including JWSSC	Achieved/ongoing
Present at the Annual Water and Sanitation Sector Review	Achieved/ongoing
Complete the PWWA Benchmarking Questionnaire	Achieved – ongoing
Participate at the Annual PWWA Conference	Achieved – hosted the meeting 2017, 10 participants to attend the PWWA Conference in August 2018 Noumea New Caledonia
Objective 5: ROBUST ORGANIZATIONAL CAPACITY	
Monthly IT facility checks, system backup and other IT issues	Achieved/ongoing
Perform annual IT hardware and software full inspection and report to Management	Achieved – ongoing

Redesign SWA website and ongoing updating	Completed/continuous upgrades
Upgrade Servers, WAN, Firewall, windows domain server, SAN server, email, VSE, backup and disaster recovery	Achieved
Continuous Vehicle Inspection and maintenance	Achieved
Training Programmes for ALL staff Management and Directors	Ongoing
Implement Employee Performance Appraisals for all staff, Management and Managing Director	Improved progressing well
Weekly Management meetings	Achieved/ongoing
Improve employee awareness of internal activities through Galala newsletter	Achieved – ongoing
OSH Training	Need to confirm next training dates.
Board of Director Meetings	Achieved and Ongoing.
Annual Reports & Quarterly Reports	Annual Report 2017/2018. Quarterly reports updated
Corporate Plan and Statement of Corporate Objectives	Achieved – approved by Cabinet
Develop and Implement Audit Plan	Complete
Implement control measures to deliver or improve statutory and policy/procedure compliance	Ongoing
Provide consultations/training on specific legal issues and processes	Ongoing
Monitor compliance to all legislations including Cabinet decisions and SWA policies/procedures	Ongoing, progressing well
Review SWA Act 2003	Ongoing, awaiting final review of draft from AGs office
Establish partnership with Academic Institutions	Initiated progressing well
Trial smart metering Technology	Ongoing
Install Water supply SCADA system	Trials and testing in progress

CAPITAL PROJECTS

Tanumalala supply scheme

Tanumalala Prison Tank Contract Works completed for installation of 2 tanks and booster pump house for supply of new prison Facility. The prison top tank successfully completed tightness test with the rising main from bottom tank to top tank also pressure tested successfully.

Gataivai Borehole supply

As of the end of the Financial Year 2017-2018 the evaluation of tenders are completed for the Gataivai works awarded for borehole and transmission main lines in the hope to provide improved and reliable water supply for this community.

Faleasiu uta Borehole and Network

The tender for the Faleasiu Phase 2 works has been issued and awaiting evaluation by the Tenders Board before works start.

Vailele Phase 3

This project is a continuation of the raw system rehabilitation for Vailele area towards the coast from the current raw supply system to the treated scheme. Preliminary investigations and survey completed, finalizing tender drawings and tender documents to be issued

Borehole Tank Installation

These works includes installation of tanks for all borehole supplies to reduce operating hours for the water pumps thus saving costs on electricity. This will also help reduce non-revenue water and salinity issue from over pumping and pumping straight into the system. The tank for Lepale is completed and Gataivai to start soon. The Sataua Borehole drilling completed in the beginning of May with casing and pump installed in mid-May while the pump test completed at the end of May.

Aleisa Pipeline works phase 2

This project is a continuation of phase 1 project which included rehabilitation of the raw water system for Aleisa which is now treated and pipelines have been replaced. Phase 2 works will further extend pipeline works to replace old pipelines on the main road Aleisa area as well as within NPF and DBS subdivisions depending on the extent of funds available.

SAMOA WATER AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Samoa Water Authority
Directors' Report
For the year ended 30 June 2018

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Samoa Water Authority
Directors' Report
For the year ended 30 June 2018

The Directors present their report together with the financial statements of Samoa Water Authority ("the Authority") for the year ended 30 June 2018 as set out on the accompanying pages and the auditors' report thereon in accordance with the Public Bodies (Performance and Accountability) Act 2001.

Directors

The Directors of the Authority are:

Honourable Matatauali'itia Afa Lesa
Honourable Gaina Tino
Afioga Tiufea Rudolf Meredith
Tofa Amiatu Catherine C L Faolotoi
Susuga Lilomaiaava Gary Shuster
Susuga Leausa Dr Take Naseri
Susuga Ulu Bismark Crawley

The new board members were appointed on the 19 July 2016 for a term of three years.

Principal Activity

The principal activity of the Samoa Water Authority is the supply of water services. There has been no change in the principal activity of the Authority during the year or any of the classes of business that it operates in.

State of Affairs

In the opinion of the directors:

- (i) the accompanying Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows are drawn up so as to give a true and fair view of the operations and results of the Authority for the year ended 30 June 2018;
- (ii) the accompanying Statement of Financial Position is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 30 June 2018.

Operating Results

The net profit for the year is \$218,185 (2017: net profit \$2,063,544)

Reserves

The Directors recommend that no amounts be transferred to or from reserves.

Dividends

The Directors have declared a dividend (50% of last year profits) be paid for the current year.

Dated at OCTOBER this 31 day of _____, 2018.

Signed in accordance with a resolution of the Directors.


CHAIRMAN OF THE BOARD


MANAGING DIRECTOR

Samoa Water Authority
Directors' Report
For the year ended 30 June 2018

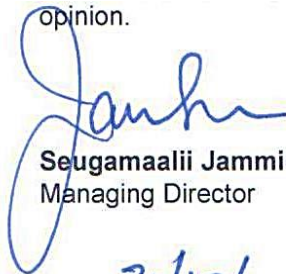
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management. The financial statements have been prepared according to International Financial Reporting Standards and include amounts based on management's best estimates and judgments.

Management has established and maintains accounting and internal control systems that include written policies and procedures. These systems are designed to provide reasonable assurance that our financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements, and that our assets are properly safeguarded.

The board of directors oversees management's responsibilities for financial reporting. The financial statements have been reviewed and approved by the board of directors on recommendation from management.

Our independent auditors (Su'a ma Pauga and Associates Chartered Accountants), having been appointed by the Controller and Auditor General, have audited our financial statements. The accompanying independent auditors' report outlines the scope of their examination and their opinion.



Seugamaalii Jammie Saena
Managing Director

Dated 30/10/, 2018



Heseti Sione
Commercial Manager

Dated 30/10, 2018

Please address all correspondences
to the Controller and Auditor General



AUDIT OFFICE

REPORT OF THE AUDIT OFFICE

TO THE GOVERNING BODY IN CHARGE OF GOVERNANCE – SAMOA WATER AUTHORITY

Audit Opinion

We have audited the accompanying Financial Statements of the Samoa Water Authority which comprise the Statement of Financial Position as at 30 June 2018, the Statements of Financial Performance, Changes in Equity and Cash Flows for the year then ended, a Summary of Significant Accounting Policies and Other Explanatory Notes. The Accounting Firm of Su'a ma Puga & Associates, Chartered Accountants, assisted in the audit. The Engagement Partner on the audit resulting in this Independent Auditor's Report is Tagaloa Fa'afouina Su'a.

In our opinion, the financial statements give a true and fair view of the financial position of the Samoa Water Authority as at 30 June 2018, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of financial statements in Samoa, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Responsibilities of Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with these International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

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AUDIT OFFICE

significant doubt on the Authority's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors and Management regarding, among other matters, the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Apia, Samoa
31 October 2018


Fuimaono Mata'afā Papali'i C.G. Afele
CONTROLLER AND AUDITOR GENERAL

Samoa Water Authority
Statement of Financial Performance
For the year ended 30 June 2018

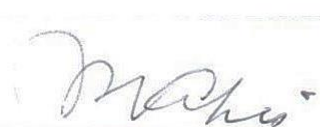
		2018 \$	2017 \$
	Notes		
Income			
Customer water services revenue	5	18,096,196	17,079,405
Wastewater revenue		2,050,477	1,697,373
Grants	6	3,877,934	4,744,275
Amortisation	19	1,789,582	1,638,913
Other income		1,094,595	721,760
Total income		26,908,784	25,881,726
Expenses			
Administration and other costs	7	3,062,987	2,816,551
Audit fees		62,100	90,000
Doubtful debts account receivables	15	200,000	-
Depreciation	13	5,198,679	4,921,981
Directors fees and costs	11	106,913	114,060
Personnel costs	10	8,111,842	7,269,135
Operations and maintenance costs	8	9,880,706	9,017,007
Stock write off		3,123	
Total expenses		26,626,350	24,228,734
Net finance costs	9	64,249	4,181
Write back of provision for other debtors			414,733
Net profit		218,185	2,063,544

The accompanying notes form an integral part of the above financial statement

Samoa Water Authority
Statement of Financial Performance
For the year ended 30 June 2018

		2018	2017
ASSETS	Note	\$	\$
	s		
Non current assets			
Property, plant and equipment	13	162,768,531	162,209,253
Current assets			
Cash and cash equivalents	17	18,544,295	15,652,255
Trade receivables	15	4,498,791	3,579,828
Others debtors and prepayments	16	893,138	677,467
Inventory	14	1,656,894	1,448,384
Total current assets		25,593,117	21,357,934
TOTAL ASSETS		188,361,648	183,567,187
EQUITY AND LIABILITIES			
Equity			
Government of Samoa equity	18	84,660,413	84,660,413
Asset revaluation reserve		35,294,097	35,294,097
Accumulated losses		(54,354,511)	(53,540,924)
Total equity		65,599,999	66,413,586
Non current liabilities			
Deferred Income	19	117,463,309	113,204,420
Borrowings	20	235,408	157,420
		117,698,717	113,361,840
Current liabilities			
Trade creditors	21	1,189,048	1,153,483
Other creditors and accruals		724,896	700,436
Provision for dividends		1,031,772	-
Deferred income	19	1,789,582	1,795,835
Current portion of borrowings	20	327,634	142,007
Total current liabilities		5,062,932	3,791,761
TOTAL EQUITY AND LIABILITIES		188,361,648	183,567,187

Signed on behalf of the Board:


Chairman of the Board -
SWA
30/10/18
Dated


Managing Director
30/10/18
Dated

The accompanying notes form an integral part of the above financial statement

Samoa Water Authority
Statement of Financial Performance
For the year ended 30 June 2018

	Government of Samoa Equity	Asset Revaluation Reserve	Accumulated Losses	Total
Balance as at 1st July 2016	84,660,413	35,294,097	(55,604,468)	64,350,042
Net profit for the period	-	-	2,063,544	2,063,544
Revaluation portion of assets disposals		-	-	-
Balance as at 30th June 2017	84,660,413	35,294,097	(53,540,924)	66,413,586
Balance as at 1st July 2017	84,660,413	35,294,097	(53,540,924)	66,413,586
Net profit for the period	-	-	218,185	218,185
Dividends			(1,031,772)	(1,031,772)
Balance as at 30th June 2018	84,660,413	35,294,097	(54,354,511)	65,599,999

The accompanying notes form an integral part of the above financial statement

Samoa Water Authority
Cash Flow Statement
For the year ended 30 June 2018

		2018	2017
	Notes	\$	\$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		18,859,914	17,900,072
Community service obligation		1,994,521	3,675,432
Grants	6	1,883,410	1,338,711
VAGST refund		926,585	1,354,976
Others		1,356,286	1,503,610
		<u>25,020,716</u>	<u>25,772,801</u>
<i>Cash was disbursed to:</i>			
Payments to employees		(8,771,546)	(7,241,888)
Payments to suppliers and for expenses		(13,595,744)	(11,525,662)
Interest paid		-	(112)
		<u>(22,367,290)</u>	<u>(18,767,662)</u>
Net cash flows from operating activities		<u>2,653,426</u>	<u>7,005,139</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		55,956	52,566
Interest received		125,673	12,163
Purchase of fixed assets		(6,190,586)	(9,676,898)
Net cash flows for investing activities		<u>(6,008,957)</u>	<u>(9,612,169)</u>
Cash flows from financing activities			
Budget support grant for construction of water supply systems including cyclone affected areas		6,760,633	7,445,711
Finance lease payments		(513,062)	(333,100)
Net cash flows for financing activities		<u>6,247,571</u>	<u>7,112,611</u>
Net increase/(decrease) in cash balances		2,892,040	4,505,581
Cash balances brought forward		15,652,255	11,146,674
Ending cash balances	17	<u>18,544,295</u>	<u>15,652,255</u>
Represented by:			
Cash on hand		2,730	2,730
Cash at Bank		18,451,605	15,560,826
Short Term Deposits		89,960	88,699
	17	<u>18,544,295</u>	<u>15,652,255</u>

The accompanying notes form an integral part of the above financial statement

1. General information

The Samoa Water Authority (the Authority) provides water supply services for the country of Samoa primarily on the main islands of Upolu and Savaii.

The Samoa Water Authority was established by the Samoa Water Authority Act 1993/1994 when it was officially separated from the Ministry of Works to be operated as a separate entity and continued under the Samoa Water Authority Act, 2003. It is governed by the board of directors. The members of the board are elected from members of the Private Sector.

The Authority main office is located on the 2nd Floor of the Tuiatua Tupua Tamasese Efi Building, Sogi and its postal address is P.O.Box 245 Apia, Samoa.

The Authority is designated as a public body under the Public Bodies (Performance and Accountability) Act 2001. As a public trading body, the Authority is required to follow the requirements of the Public Bodies (Performance and Accountability) Act 2001

These financial statements were authorized for issue by the Board of Directors on 31 October 2018.

2. Statement of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Bodies (Performance and Accountability) Act 2001 which requires the adoption of *International Financial Reporting Standards* issued by the International Accounting Standards Board (IASB).

b. Basis of preparation

The financial statements have been prepared on the historical cost basis. The principal accounting policies are stated to assist in a general understanding of these financial statements.

c. Functional and presentation currency

Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency is the Samoan Tala (SAT\$).

d. Foreign currency transactions

Transactions in foreign currencies are translated to functional currency at exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rates ruling at the dates the fair value was determined.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

e. Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset into working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The costs of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied with that part will flow to the company and its cost can be measured reliably. The costs of the day to day servicing of the property, plant and equipment are recognized in profit and loss as incurred.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The rates at which depreciation is charged are as follows:

	2018	2017
• Buildings	2.5%	2.5%
• Water supply and plant assets		
Treatment plant	2.00%	2.00%
Meters and service connections	5.00%	5.00%
Transmission and distribution	2.00%	2.00%
• Workshop, Office equipment and furniture	20.00%	20.00%
• Motor vehicles	25.00%	25.00%

The residual value is reassessed annually.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the income statement.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

f. Intangible assets

Internally-generated intangible assets for finite life intangibles are stated at cost less accumulated amortisation and impairment and are amortised on a straight-line basis over their useful lives.

Computer software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Usually this period does not exceed 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

g. Inventories

Inventories are valued at the lower of cost (first in first out (FIFO) or weighted average) and net realisable value, with additional allowances for obsolescence where necessary. The cost of purchased inventory comprises direct materials and where applicable, direct labour and other direct variable costs incurred in order to bring inventories to their present location and condition. Costs are assigned to individual items of inventory on a weighted average cost basis. Net realisable value is the estimated amount the inventories are expected to be realised in the ordinary course of business.

h. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

i. Government equity

Government equity are classified as equity. They represent the net assets transferred from the Ministry of Works when the Authority was established.

j. Loans payable

Loans payable are measured on initial recognition at the amount of the net proceeds.

Loans payable are recognised initially at fair value, net of transaction costs incurred. Loans payable are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

Loans payable are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

k. Provisions

A provision is recognized in the balance sheet when the Authority has a present legal or constructive obligation as a result of past event, and it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

l. Accounts payable

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

m. Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and term deposits with maturities less than 90 days for the purposes of the statement of cash flows. Bank overdrafts are shown in current liabilities on the balance sheet.

n. Impairment

The carrying amounts of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized immediately in the profit or loss.

Calculation of recoverable amount

Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Reversals of impairment

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

o. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Authorities activities. Revenue is shown net of discounts and free water entitlement for domestic consumers.

The Authority recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Authority's activities as described below.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

i) Customer services revenue

The Authority recognizes revenue as amounts become collectible from its customers for water services provided.

ii) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

p. Government grants

Government grants and/or Donor funds like European Union, Water Sector Budget Support are not recognised until there is reasonable assurance that the Authority will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the Authority should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Authority with no future related costs are recognised in profit or loss in the period in which they become receivable.

q. Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the Authority.

r. Employee benefits

The Authority contributes towards the Samoa National Provident Fund, a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognized immediately in profit or loss.

Liabilities for annual leave are accrued and recognised in the balance sheet. Annual leave are recorded at the undiscounted amount expected to be paid for the entitlement earned.

Short term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

s. Net financing costs

Net financing cost comprises interest on long term borrowings, realized and unrealized foreign exchange gains and losses, interest income on term deposits and bank charges that are recognized in profit or loss

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

t. Borrowing costs

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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

u. Value added goods and services tax

The supply of water services by the Authority is zero rated. Expenses and assets are recognised net of the amount of value added goods and services tax (VAGST), except for payables which are recognised inclusive of VAGST. Where VAGST is not recoverable as an input tax it is recognised as part of the related asset or expenses.

v. Income tax

The Authority is exempt from income tax by virtue of section 45 of the Samoa Water Authority Act 2003.

w. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance leases

Assets held under finance leases are initially recognised as assets of the Authority at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation under borrowings.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Authority's general policy on borrowing costs (see above).

x. Dividend distribution

Dividend distribution to the Authority's shareholder is recognised as a liability in the Authority's financial statements in the period in which the dividends are approved by the Authority's Board.

y. Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Authority for similar financial instruments.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

z. Comparatives

Where necessary previous periods comparatives have been changed to conform with the presentation of financial information for the current year. There is no impact on net loss for the prior year as a result of the changes in the presentation of the comparative information.

3. Critical accounting estimates and judgments

Preparing financial statements to conform with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the Authority's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognized in these financial statements.

The Authority operates an extensive water supply distribution network comprising large numbers of relatively minor individual water supply asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the Authority's water supply distribution asset management plan. The costs associated with recording and tracking all individual components replaced and removed from the network substantially outweighs the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the network in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and not considered to be material on either an annual or cumulative basis with respect to either reported net loss or carrying values of the network.

The Authority invoices its customers monthly for water supply delivery services on the basis of usage for the quarter for metered and flat rate customers. For metered customers the revenue billing for the final month of the financial year is based on an estimation of the previous months usage and is recognized as accrued revenue in the current assets section of the balance sheet.

Other non-current intangible assets and property, plant and equipment are long-lived assets that are amortised over their useful lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue. The values of property, plant, equipment and assets with indefinite lives are reviewed annually for impairment. Other non-current intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at the end of the first full year following acquisition.

If the useful economic lives had been longer by an average of one year during the period ended 30 June 2018 (annualised), then the Authority's depreciation charge would have been approximately \$5,120,891 lower if the useful lives had been longer by an average of one year, or approximately \$5,749,208 higher if the useful lives had been an average of one year shorter.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

4. Continued Government support

The considered view of the Directors is that, after making due enquiry there is a reasonable expectation that the Authority has adequate resources to continue operations at existing levels for the next 12 months from the date the financial statements were approved and signed by the directors.

The Government of Samoa, the principal shareholder, has undertaken to provide financial assistance to the Authority on an annual basis in the forms of specific grant funding support, annual Community Service Obligation grant, and if necessary, any additional funding assistance to ensure that the Authority will meet its debts as they fall due. For this reason the Directors continue to adopt the going concern assumption in preparing the financial report for the year ended 30 June 2018.

5. Customer water services revenue

Details of revenues are specified as follows:

	2018	2017
	\$	\$
Flat rate revenue consumers	98,550	378,275
Metered consumers - commercial customers	5,920,785	5,341,164
Metered consumers - domestic customers	11,540,651	10,795,757
Other water services revenue	536,209	564,209
Gross revenue	18,096,196	17,079,405

Other water services revenue includes connection fees, reconnection fees, connection transfers, unregistered connections, road crossing and water deliveries.

6. Grants

Grants received from the Government of Samoa during the year is specified as follows:

	2018	2017
	\$	\$
Community service obligation	1,994,524	3,405,564
Grant for Capacity building under budget support	1,883,410	1,338,711
	<u>3,877,934</u>	<u>4,744,275</u>

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

7. Administration and other costs

Administration and other costs are specified as follows:

	2018 \$	2017 \$
Administration expenses	2,087,094	1,696,149
Advisory committee	81,188	71,588
Office electricity and telecommunication	322,669	352,267
Public relation costs	216,577	274,418
Training costs	253,577	305,405
Travel costs	80,592	108,908
Staff welfare and donations	21,291	7,816
	<u>3,062,987</u>	<u>2,816,551</u>

8. Operations and maintenance costs

Operations and maintenance costs are specified as follows:

	2018 \$	2017 \$
Materials, hire and others	5,206,811	4,150,730
Protective gears and laboratory supplies	132,036	163,234
Electricity costs	2,733,892	3,108,353
Compensation and caretaker costs	390,223	376,969
Contractors and others	458,081	314,348
Maintenance of non-system assets	959,662	903,373
	<u>9,880,706</u>	<u>9,017,007</u>

9. Net finance costs

Net finance costs are specified as follows:

	2018 \$	2017 \$
Unrealised exchange (gain)/loss	14,456	(30,893)
<i>Interest expenses relating to:</i>		
Finance lease	49,793	34,953
Borrowings	-	-
Bank overdraft	-	121
Net finance costs	<u>64,249</u>	<u>4,181</u>

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

10. Personnel costs

Personnel costs are specified as follows:

	2018 \$	2017 \$
Personnel costs	7,440,615	6,693,910
<i>Employers contribution to:</i>		
National Provident Fund	586,450	501,506
Accident Compensation Corporation	84,777	73,719
	<u>8,111,842</u>	<u>7,269,135</u>

The average number of persons employed including part-timers during the year 286 (2017: 279).

11. Directors and executive management compensation

i. Directors

The Directors of the Authority during the financial period were:

Honourable Matatauali'itia Afa Lesa (Chairman of the Board)
Honourable Gaina Tino (Private Sector-board Member)
Afioga Tiufea Rudolf Meredith (Private Sector-board member)
Tofa Amiatu Catherine C L Faolotoi (Private Sector-board member)
Susuga Lilomaiaava Gary Shuster (Private Sector-board member)
Susuga Leausa T. Dr Take Naseri (MOH Director General-board member)
Susuga Ulu Bismark Crawley (MNRE Chief Executive Officer-board member)

Directors appointed from Government Corporation and Ministries do not get paid directors fees.

ii. Board costs

Board of Directors expenses are as follows:

	2018 \$	2017 \$
Directors fees	93,130	93,420
Directors allowances	-	-
Travel and accomodation expenses	1,440	2,000
Other cost	12,343	18,640
	<u>106,913</u>	<u>114,060</u>

Samoa Water Authority
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iii. Management personnel costs

The remuneration of management during the year was as follows:

	2018	2017
Salaries and short-term employment benefits	879,475	864,190
<i>Employers contribution to:</i>		
National Provident Fund	61,563	55,304
Accident Compensation Commission	8,795	7,900
	<u>949,833</u>	<u>927,394</u>

12. Operating leases

The total future minimum lease payments under operating lease rentals are payable as follows:

	2018	2017
	\$	\$
Not later than 1 year	464,640	449,040
Later than one year but not later than 5 years	<u>2,323,200</u>	<u>2,245,200</u>
	<u>2,787,840</u>	<u>2,694,240</u>

The Authority leases various premises under operating leases. The leases run for an initial period of two to five years, with an option to renew the lease after that date. Certain lease agreements provide that the lease payments increase by a predetermined percentage every year.

During the current period, amounts of \$469,140 (2017:\$415,260) for the Authority were recognised as an operating expense in the income statement in respect of operating leases.

Samoa Water Authority
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For the year ended 30 June 2018

13. Property, plant and equipment

	Land & Buildings	equipment & furniture	Plant Assets	Motor vehicles	Total
Cost					
Cost at 1st July 2016	2,150,415	4,400,527	145,504,943	6,516,426	158,572,311
Revaluation at 1st July 2016		592	35,225,344	68,161	35,294,097
Cost and revaluation at 1st July 2016	2,150,415	4,401,119	180,730,287	6,584,587	193,866,408
Additions	92,327	379,371	30,742,719	0	31,214,417
Disposals		0		(207,250)	(207,250)
Balance at 30th June 2017	2,242,742	4,780,490	211,473,006	6,377,337	224,873,575
Additions	0	151,737	5,891,338	665,217	6,708,292
Disposals	-	-	-	(220,065)	(220,065)
Balance at 30th June 2018	2,242,742	4,932,227	217,364,344	6,822,489	231,361,802
Accumulated depreciation					
Balance at 1st July 2016	(159,421)	(3,382,598)	(69,183,205)	(5,602,721)	(78,327,945)
Depreciation charge for the year	(24,462)	(518,227)	(4,003,284)	(376,008)	(4,921,981)
Disposals		0		207,250	207,250
Balance at 30th June 2017	(183,883)	(3,900,825)	(73,186,489)	(5,771,479)	(83,042,676)
Depreciation charge for the year	(26,769)	(424,890)	(4,302,140)	(444,880)	(5,198,679)
Disposals	-	0	-	220,065	220,065
Balance at 30th June 2018	(210,652)	(4,325,715)	(77,488,629)	(5,996,294)	(88,021,290)
Capital works in progress 2017	-	-	20,378,354	-	20,378,354
Capital works in progress 2018	-	-	19,428,019	-	19,428,019
Net book value					
As at 1st July 2017	2,058,859	879,665	158,664,880	605,858	162,209,253
As at 30 June 2018	2,032,090	606,512	159,303,734	826,195	162,768,531

Motor vehicles include the following amounts where the Authority is a lessee under a finance lease:

	2018 \$	2017 \$
Cost - capitalised finance leases	978,261	535,653
Accumulated depreciation	(329,348)	(192,428)
Net book amount	648,913	343,225

Samoa Water Authority
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For the year ended 30 June 2018

14. Inventory

Inventories are specified as follows:

	2018 \$	2017 \$
Chemicals and filters	94,582	56,470
Pipes and fittings	1,368,578	1,306,679
Water meters	193,734	85,235
	<u>1,656,894</u>	<u>1,448,384</u>

The cost of inventories recognised as expense during the year and included in 'operations and maintenance' expense amounted to \$1,365,318 tala (2017: \$1,189,765 tala).

15. Trade receivables

Trade debtors are specified as follows:

	2018 \$	2017 \$
Flat rate customers	710,602	676,504
Metered customers - domestic	6,353,752	5,614,956
Metered customers - commercial	825,082	658,611
Wastewater customers	325,701	191,346
Accrued revenues	1,206,797	1,244,185
Gross debtors	<u>9,421,934</u>	<u>8,385,602</u>
Less allowance for non-collectible accounts	<u>(4,923,143)</u>	<u>(4,805,774)</u>
Net trade debtors	<u>4,498,791</u>	<u>3,579,828</u>

As of 30 June 2018, trade receivables for water customers of \$2,762,207 (2017:\$2,085,937) were impaired and were completely provided for. The individually impaired receivables mainly relate to independent customers, which are in unexpectedly difficult economic situations and leakage problems. It was assessed that a portion of these receivables are expected to be recovered.

The ageing of Trade receivables is as follows:

	2018 \$	2017 \$
Current	2,472,133	2,610,307
30 days	927,323	1,029,136
60 days	798,265	784,588
90 days	620,534	485,009
over 90 days	4,603,679	3,476,562
Total trade receivables	<u>9,421,934</u>	<u>8,385,602</u>

Samoa Water Authority
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Trade receivables for water consumers that are less than one year past due are not considered impaired. As of 30 June 2018, trade receivables of \$4,991,683 (2017:\$4,706,704) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

Movements on the provision for impairment of trade receivables are as follows:

	2018 \$	2017 \$
Opening balance	4,805,774	7,409,664
Additional provision	200,000	-
Write-offs	(82,631)	(2,603,890)
Closing balance	<u>4,923,143</u>	<u>4,805,774</u>

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Authority does not hold any collateral as security.

Included in other income in the Statement of Financial Performance are bad debts recovered of \$330,782 (2017:\$116,962).

16. Other receivables and prepayments

Other receivables and prepayments are specified as follows:

	2018 \$	2017 \$
Receivable from Ministry for Revenue - VAGST	910,818	667,343
Prepayments	50,735	51,206
Other debtors	281,585	308,918
	<u>1,243,138</u>	<u>1,027,467</u>
Less provision for doubtful debts	(350,000)	(350,000)
	<u>893,138</u>	<u>677,467</u>

The ageing of other receivables is as follows:

	2018 \$	2017 \$
Not more than 1 year	949,344	808,507
More than 1 year but less than 2 year	188,072	116,409
More than 3 years	105,722	102,551
	<u>1,243,138</u>	<u>1,027,467</u>

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

Movements on the provision for impairment of other receivables are as follows:

	2018	2017
	\$	\$
Opening balance	350,000	1,000,000
Write-offs	0	-235,267
Over provision prior years	0	-414,733
Closing balance	<u>350,000</u>	<u>350,000</u>
Prior years overprovision details:		
Current year assessment for doubtful accounts		350,000
Other receivables provision balance before assessment		<u>764,733</u>
Over provision		<u>414,733</u>

17. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	2018	2017
	\$	\$
Cash on hand	2,730	2,730
Cash at bank	18,451,604	15,560,826
Short term deposits	<u>89,961</u>	<u>88,699</u>
Total cash and cash equivalents	<u>18,544,295</u>	<u>15,652,255</u>

The short term deposits have an average maturity of 206 days and a weighted average interest rate of 1.75% per annum.

18. Government equity

	2018	2017
	\$	\$
Balance	<u>84,660,413</u>	<u>84,660,413</u>

Government equity represents the fair value of the net assets that were transferred to the Authority when it was established as a separate entity from the Ministry of Works

Samoa Water Authority
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For the year ended 30 June 2018

19. Deferred income

Deferred income details are specified as follows:

	Opening balance	Additions	Amortisation	Closing balance
	\$	\$	\$	\$
Motor vehicles	194,635	-	(55,104)	139,531
Workshop and technical equipments	217,310	-	(72,437)	144,873
Buildings	92,327	0	(1,847)	90,480
Furnitures and fittings	-	-	-	-
Tsunami water works	2,540,064	-	(55,219)	2,484,845
Budget support funds for capital works	35,476,552	150,880		35,627,432
Reticulation and mains	11,546,968	5,891,338	(234,283)	17,204,023
Boreholes	1,132,917	0	(23,474)	1,109,443
Wastewater Pressure Sewerage System	11,611,513	-	(258,034)	11,353,479
River Intakes	889,541	0	(18,248)	871,293
Treatment Plants	51,298,428	0	(1,070,936)	50,227,492
	<u>115,000,255</u>	<u>6,042,218</u>	<u>(1,789,582)</u>	<u>119,252,891</u>

The additions of \$6m tala to Deferred Income are capital works completed by the Authority through grants or Government Contribution. Funding for the capital works was mainly provided through Budget Support, i.e. a European Union grant disbursed by Ministry of Finance yearly through the Budget Support Sector Coordination Unit under the Ministry of Natural Resources and Environment. Grant Funds is for the Water Sector and SWA is one of its main implementing agency. Disbursement commenced in Fiscal year 2010/2011 and total to date is \$75.5m tala for capital works and capacity building which is expensed and reflected in the Statement of Financial Performance. Performance Indicators are tied to the grant funds and are to be achieved as per Agreement. Works are either done in-house or outsourced to private contractors and consultants.

20. Borrowings

	2018 \$	2017 \$
Non current		
Finance lease liabilities	235,408	157,420
	<u>235,408</u>	<u>157,420</u>
Current		
Finance lease liabilities	327,634	142,007
	<u>327,634</u>	<u>142,007</u>
Total borrowings	<u><u>563,042</u></u>	<u><u>299,427</u></u>

Samoa Water Authority
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i. Minimum lease payments:

	2018	2017
	\$	\$
No later than 1 year	383,805	201,029
Later than 1 year and no later than 5 years	249,351	136,056
	<u>633,156</u>	<u>337,085</u>
Less future finance charges on finance leases	(70,114)	(37,658)
Present value of finance lease liabilities	<u><u>563,042</u></u>	<u><u>299,427</u></u>

ii. The present value of finance lease liabilities is as follows:

	2018	2017
	\$	\$
No later than 1 year	352,173	198,840
Later than 1 year and no later than 5 years	210,869	100,587
	<u>563,042</u>	<u>299,427</u>

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Lease liabilities are charged a fixed rate of interest of 9.5% per annum.

21. Trade creditors

The ageing of trade creditors is as follows:

	2018	2017
	\$	\$
Current	1,085,543	658,621
30 days	73,050	206,385
60 days	30,455	188,844
90 days and over	0	99,633
	<u><u>1,189,048</u></u>	<u><u>1,153,483</u></u>

22. Capital commitments and contingent liabilities assets

Capital commitments of \$1.7 million as at 30 June 2018 for relocation of main lines for Malololelei and Palisi (Lalovaea). (2017: NIL).

Contingent liabilities arising from pending litigation matters:

A claim of ST\$332,350, (former employee of SWA) was heard in court in February 2018 and awaiting judgment.

Two claims were brought against the Authority for land compensation and breach of contract in relation to Land and compensation as at year end..

23. Events occurring after balance sheet date

There are no Events occurring after the balance sheet date.

ANNEX 1:

Cyclone Gita Recovery works

Urban Upolu.

- Fuluasou (intake to plant) transmission pipe exposed, damaged and dislocated. Major works needed to repair and strengthen.
- Fagalii (intake to plant) main line damaged and dislocated. Pipe replacement and major works needed.
- Moamoa distribution main damaged and dislocated
- Vaea transmission and distribution main need major works and replacement (for Palisi and Vaea lines)
- Alaoa Roughing filter tank damaged (foundation collapsed). Major repair works needed.
- Vaimoso bridge four-lane transmission main damaged.

Rural Upolu.

- Fuluasou Transmission main damaged
- Leopardine road Aleisa pipeline dislocated by flooding
- All borehole supplies offline due to electricity/power outages
- Tafitoala Intake damaged

Savaii operations

- All borehole supplies offline due to electricity/power outages
- Damaged BH pump station at Asau. Major repair works to be completed by February 14, 2018.
- Letui supply area - Aopo tank damaged. Supply will be restored by February 14, 2018.

Wastewater Services

- 3 pump stations at Sheraton damaged and needing replacement.

Motootua hospital screen housing damaged and needs replacement