



Samoa Water Authority

ANNUAL REPORT

2018 - 2019

STATEMENT TO PARLIAMENT



Hon. Papali'itele Unasa Niko Lee Hang

The Honourable Speaker
Legislative Assembly of Samoa

I am delighted to present the Annual Report for the Samoa Water Authority for the Financial Year ended 30 June 2019 in accordance with Part II Division 5 Section 20 Subsection (5) of the Samoa Water Authority Act 2003.

The 2018– 2019 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'.

Honourable Papali'itele Unasa Niko Lee Hang
MINISTER FOR THE SAMOA WATER AUTHORITY
MINISTER OF WORKS, TRANSPORT AND INFRASTRUCTURE

TABLE OF CONTENTS

Titles	Page
Board of Directors' Report	3
Managing Director's report	4
Key Achievements	4
Issues and Challenges	4
Operational Performance and Results	5
Water Supply	5
Wastewater	9
Overview of the Workforce	10
Overview of Financial Performance	12
Support for National and Sector Plans	13
Progress with Corporate Objectives	15
Financial Statements	18

BOARD OF DIRECTORS' REPORT

Overview

The Samoa Water Authority continued to commit to its priorities of improved water quality, increased coverage and financial sustainability during the 2018/2019 financial year.

Its financial performance with a few setbacks, continued to endure and commit to increasing coverage to new areas providing many with access to water, and completing major rehabilitation work to existing urban and rural networks which greatly increased quality and reliability.

There were many issues both new and ongoing were encountered but the results of the works conducted and completed in the 2018/19 Financial Year has made positive impacts to the lives of many people and the commitment to continue to improve Samoa's water supply infrastructure has seen many new developments underway.

The Authority through the assistance of its donor partners as well as the Government continues to enable and enhance the development of the Samoa Water Authority as a sustainable supplier of safe, treated water offering its customers excellent service ensuring a difference is made to the communities and the Samoan people.

Activities and Performance

The Board of Directors conducted its regular monthly meetings discussing the status of operations, progress of capital projects, and status of funds and ongoing activities of the Authority. The Audit Committee carried out its quarterly meetings to assess and advise the Board on audit activities and compliance issues for the Authority.

The Board with the new proposed tariff approved by Cabinet in February 2018 advocated awareness to be conducted for the public before its implementation in July 2019. The review of the SWA Act 2003 is ongoing to enable a strong mandate to programmes and activities in the coming years. Overall, the Authority has had its challenges and has seen the fruits of its labour for the Financial Year 2018-19 and we can only hope for the best with its future endeavours.



Honourable Matataualiitia Afa Lesa
CHAIRMAN BOARD OF DIRECTORS

MANAGING DIRECTOR'S REPORT

KEY ACHIEVEMENTS

The Samoa Water Authority for the financial year continued to serve its “Vision” in promoting the access to reliable, clean and affordable water services for the Samoan people who are within the mandated service areas.

The Financial Year 2018-2019 achievements are highlighted below:

- Enhanced financial sustainability.
- Increased coverage of water services
- Continual professional development of staff
- Reduction of NRW
- Increased monitoring of water quality to ensure compliance with Samoa National Drinking Water Standards
- Increased avenues for public relations, awareness and education
- Approval of the new water tariff to be implemented July 2019

ISSUES AND CHALLENGES

The financial year 2018-2019 like previous financial year came with new and ongoing challenges for the Authority. Despite reduction of its Community Service Obligation (CSO) allocation which funds two¹ of its major expenses for Rural & Savaii borehole schemes, SWA sustained its services & improved its financial performance for 2018/2019. 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, in compliance with directions issued for CSOs.

Climate change continues to impact on water and the production of sufficient supply of quality water. During the dry season in the first quarter of the financial year to vulnerable areas, water had been rationed to ensure customers at least received water some of the time in Nuu Fou areas. While with the rainfall patterns changing, the turbidity problem from the main rivers continued to cause issues to the Authority's operations from the Alaoa, Malololelei and Fuluasou treatment plants, however, increased maintenance of these plants enabled continuous supply to our customers.

The planning and design of a suitable infrastructure to be constructed for the inland relocation drift continues to be a challenge as many people are moving further inland where there is no existing water supply infrastructure. The Authority is therefore mindful of this in its future plans as it is a lengthy and comprehensive exercise, subject to funding and

¹ Electricity for boreholes and land compensation

requisite approvals involving hydrogeological research (for source of water) to design, tender and commission the works. To assist, the Authority has (in extenuating circumstances and only where applicants sign a consent or waiver beforehand) allowed new connections where surveys have determined that the location of the properties are too far from the nearest SWA main or connection point to obtain a reliable water supply. All of these applicants are firstly made to understand that due to distance and pressure they will not receive the standard SWA 24/7 water supply and all of these applicants have acknowledged that so long as they receive some (intermittent) water supply they are satisfied. While this is not an ideal situation, it is seen as a reasonable interim measure until such time when the SWA is able to install a more permanent solution for these outlying remote areas and applicants.

Another challenge which has been an ongoing from previous financial years is the transfer of 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 to SWA construction standards. The costly implications of having to transfer the independent water scheme to the SWA, though it is still in a discussion stage presents a problem in terms of costs and capacity required to replace and manage these schemes which need to be budgeted for before the SWA can accept to assume ownership of a scheme. Buy-in by the scheme to SWA (or Government) management is crucial for any transfer to be effective and sustainable.

OPERATIONAL PERFORMANCE AND RESULTS

Water Supply

Service Coverage

In accordance with the SWA's customer database approximately 88% of the population of Samoa is estimated to be provided water by the Authority. There have been significant improvements been done to the database in issues and discrepancies such as duplication of customer registration, customers whom are connected but not otherwise registered in our database and identifying abandoned properties with existing accounts so as to prevent inadvertent new connections.

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

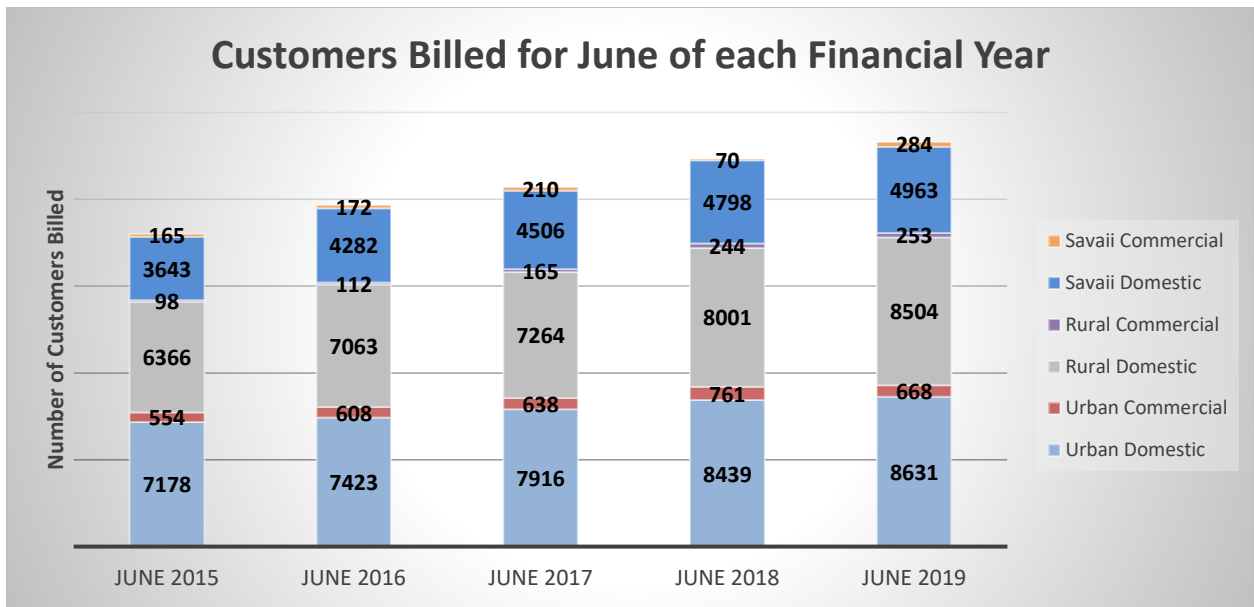


Figure 1 Number of Customers billed for last month (June) of Financial Year

The increase of coverage from last year reflects ongoing efforts to extend supply to areas without or with limited supply as listed below. As people continue to move further inland due to climate change impacts on coastal and low-lying grounds, SWA also continues to develop new supply systems to cater for them:

1. Lotofaga system was transferred from the IWSA to SWA and new pipelines were installed to cater for the lower part of the village where supply could be extended to from the Matatufu Borehole to approximately 1210 people. This included replacement of the liner for the 270m³ tank at Matatufu.
2. Tanumalala system was commissioned upon the completion of the new prison, this included 4.5km of pipeline and 2 tanks (100m³ and 250m³)
3. Magiagi water supply system began construction to provide treated water to approximately 1759 people, these works include pumping water through a 462meters transmission line (DI150mm), into a storage tank (250m³) to be located at some 70m elevation. Installation of 300m of PE110mm, 1600m of PE90mm and 1400m of PE63mm distribution lines, which will be fed from the storage tank supplying the village.
4. Construction began for the Lepale and Faleasiu uta (Sapulu) system and part of Fasitoo Uta co funded by SWA and PPCR to service approximately 1347 people. Included 29.2km of pipeline, booster pump system and 1 x 250m³ tank.
5. The Satapuala Drilling works co funded by SWA and PPCR commenced in early April 2019 and completed in Late May 2019. The BH drilling took 2 weeks to complete however access road works for mobilising equipment to site was challenging due to the remoteness of the drill site from the main road. Pump test was carried out in September

of the next FY and has been successful. Total borehole depth is 90m. Design works in progress for supply network to approximately 1963 people.

6. The Saleaumua drilling project was co funded by SWA and PPCR and started in October 2018, completed in 3 weeks at a drilled depth of 120m. Pump test was conducted in December 2018 confirming safe and sufficient yield in the aquifer to supply water for the Saleaumua Area. Design works for the reticulation system could then be done for the supply area of Saleaumua, Amaile, part of Samusu, Mutiatele to approximately 1247 people.
7. The following submains were installed in Savaii during this FY
 - i. Fatausi 400m to approximately 56 people
 - ii. Eveeve Fusi 500m to approximately 80 people
 - iii. Vaisaulu Lalomalava 1400m to approximately 128 people
 - iv. Vaiafai Iva 200m to approximately 64 people
 - v. Puápuá 1500m to approximately 80 people
 - vi. Fagasa 1000m to approximately 128 people
 - vii. Sataua 2000m to approximately 656 people
 - viii. Salaevalu replacement 4,300m to approximately 720 people
 - ix. Fagaeé replacement 400m to approximately 80 people
8. Gataivai System upgrade included a borehole drilled to 218 m, installation of a 250m³ tank, installation of a new 1860 m pipeline completed and replacement works ongoing to the old network.
9. Most notably is the successful implementation of the Authority's SCADA (system control and data acquisition) project. Phase 1 included all large-scale water supply systems. Phase 2 will be implemented in the next fiscal year for all other systems. The Authority is now able to remotely monitor its systems to ensure call outs are only conducted when needed as reported by SCADA.

The Authority continues to respond to its customer's queries and complaints with the provision of an afterhour's service utilising the SWA Call Center. There has also been an improvement to internal systems and network support and formalized Call Centre Processes to improve categorisation, coding and centralized customer complaints to ensure continuity of Follow Ups with Operations and importantly, SWA customers.

Water Quality

The Water Quality services increased the frequency of its field monitoring and testing by **68% from previous year** for all SWA water supply system. This is to ensure compliance to the Samoa National Drinking Water Standards (SNDWS, 2016). The ongoing rehabilitation of untreated water supplies has contributed in the improvement of water quality, including operational chlorination facilities at Rural and Savaii borehole sites, continual chlorination for Rapid Sand Filter Treatment Plants and Slow Sand Filter Treatment Plants. Improvement of operational services with regular maintenance and

frequency of water testing and service delivery contribute to the improvement of water quality results. 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 drop-in compliance in September was due to a mechanical issue with chlorination unit resolved immediately after it occurred.

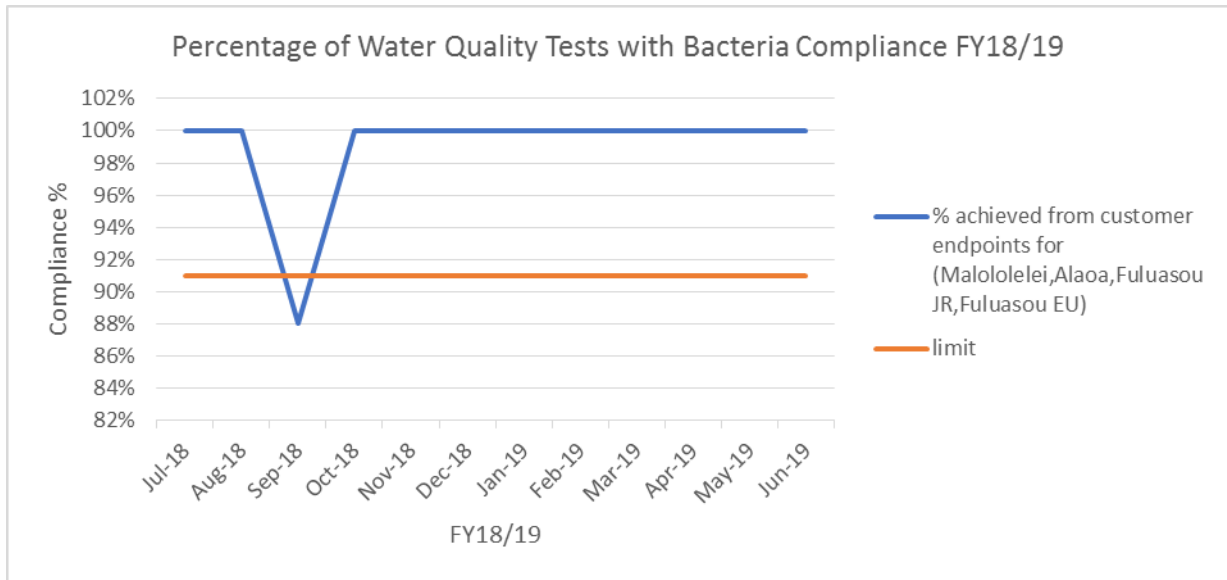


Figure 2 Water Quality Compliance Results FY2018-2019

Water Loss Management

For the Financial Year 2018-2019 ongoing pressure management and leak detection works continued throughout all of SWA systems with the assistance of the CEPSCO program targeting the Alaoa system and the Non-Revenue Expert on other priority areas for Urban, Rural and Savaii

The percentages in Table 1 below indicates an overall reduction from 2014 – 2019 for all Rural, Urban and Savaii Non-Revenue-Water, with relative reduction by Rural of 11% decrease, Urban 30% and Savaii 40% within the last 5-year period. This had been a success due to the following works

- Leak Detection works using new machinery and equipment for all water supply systems and immediately repairing significant water losses such as burst pipes
- Replacement works for all old and deteriorated pipelines and fixtures and customer connections
- Relocation and replacement of system networks to road reserve areas to avoid being tampered with or illegal practices
- Relocation of meters from household to close proximity of water supply lines and within the road reserve

- Meter replacements works carried out for all customers for meters more than 6 years old
- Bulk meter replacements for all sources and storage inlets and outlets
- Installation of new submains for water connections running up to hundreds of meters from the mainline
- Pressure Management and Monitoring Programs conducted to control pressures in each system, with installation of control valves and regulating pressures so leakages will not result
- Establishment of District Metered Areas (DMAs) for different water networks for flow and pressure contribution and analysis of leak detection and non-revenue-water.
- Awareness Programs on leakages, water conservation, bill payment etc alerting customers on their role to play with saving water
- Implementation of SCADA to monitor system assets in real time to ensure system issues are addressed immediately as they happen.

All these tools and strategies integrated to ensure NRW continues to decrease over the years.

The increase though to the Rural Division’s NRW indicated for the Financial Year 2018-2019 was due to the provision of treated water into the old network of pipelines for Aleisa area along Alafaalava Road up to Faleasiu uta. This vast network is to be replaced in the next financial year to improve the robustness of the supply and reduce NRW.

Division	Units	2014 – 2015	2015-2016	2016 -2017	2017-2018	2018-2019
Urban	%	64%	59%	54%	51%	45%
	L/connection/day	3,430	2,790	2,500	2,242	1,775
Rural	%	62%	58%	51%	54%	55%
Savaii	%	70%	65%	58%	51%	42%

Table 1 NRW achievements across O&M Divisions

Wastewater

The Authority continued with the effective management of the Wastewater Treatment Plant at Sogi with effluent discharge compliant with standards as shown in Table 2 below. The inflow and infiltration reduction program are ongoing to minimize storm water ingress into the system. This is also reflected in the slight decrease in wastewater flows received at the WWTP for treatment. In addition, the temporary closure of the Sheraton Hotel due to cyclone Gita within this period resulted in a slight decrease in Wastewater flows to the WWTP. This however will increase in the future with the addition of more property connections including 2 new hotels at Sogi.

Performance Indicator Description	2014-15	2015-16	2016-17	2017-18	2018-19
Avg daily WW inflow to the WWTP (m3)	542	656	680	629	618
Wastewater Treatment Plant Utilization (%)	54%	66%	67%	63%	61%
Effluent samples complying with SPREP Standards	96%	100%	100%	93%	100%

Table 2 Wastewater Operational Performance Data

Overview of the workforce

The total staff employed as of 30 June 2019 was 276 with a few slight fluctuations throughout the year depending on employees' turnover. The Authority also completed the review of the Organizational structure and was presented and approved by the Board in the January Board of Directors' Meeting. Similarly, to the past financial years the Authority's staff is that of a male dominant workforce with a proportion of 76% male and 24% female, essentially due to the nature of the Authority's core business. However, Gender balance exists in Management level with 60% female and 40% male. The gender composition of the Authority's staff is not a cause for concern nor it a source of conflict within the Authority. To date the Authority has never dealt with any allegation or report of discrimination based on gender and there is pay parity across the board in all positions regardless of gender.

Pursuant to the SWA Act 2003 and the Labour & Employment Relations Act 2013, the Authority employs three types of employees, Contract, Permanent, and Part time with the majority being permanent employees (similar to permanent employees employed in Government Ministries). Contract employees are on 3-year terms and include all of Management, Engineers and professional staff such as the Internal Auditor and the Legal Consultant. As of the 30th June 2019 only 1% of the SWA's workforce comprised of part timers or temporary employees which include Technical Assistants and wage workers.

About or around 84% of SWA employees carry out day to day operational functions including Systems operations and maintenance and customer services. Sixteen percent (16%) of employees in the Office of the Managing Director, Corporate Management Division, Communications & IT and Commercial Division provide support services.

Capacity Building

The Authority continued to prioritize its commitment to the professional development of its employees in engaging the relevant personnel in both local and international trainings for the Financial Year 2018-2019 64%² of international trainings were attended by 15

² 9 trainings

employees varying from the technical and operations while 36%³ were conducted locally and 46 employees were fortunate to learn various soft skills trainings as well as in house technical trainings⁴.

The Authority also continued its initiative of organization-wide written examinations for employees to take. Set by Managers of each Division and scoping each area of SWA's functions (from O&M to Human Resources to Technical Planning and Design), the exams are useful to gauge capacity, identify training needs as well as encourage understanding and appreciation of the different complexities for each Division/profession/job etc. A policy and procedure exam were conducted for all staff to determine their understanding and also provide an opportunity to refresh their knowledge.

The Authority continues to support students in partnership with vocational schools in Samoa. In developing the employees of tomorrow, SWA provided various opportunities to 27 students from technical vocation schools⁵ around the country and contributed prizes for their prize giving in December 2019. SWA also encouraged local NUS science students and overseas University students to work part time for SWA to gain work experience during their Christmas holiday break. The Authority recruited 34 students from December 2018 to February 2019.

The staff of SWA also assist with activities outside day to day operations as a means of community service and assistance to government, non-government organizations and charities. A blood drive was organized for the local hospital blood bank for all SWA employees, support for fundraising for the Cancer Society, volunteer clean-up for the Apia Park in preparation for the Pacific Games 2019, on call plumbing assistance to the Samoa Victim Support Group, and support for the Mapuifagalele Home for the Elderly.

Public Relations and Community Outreach Programmes

The Authority's Public Relations Unit continues to implement their marketing strategy to which they provide and increase awareness for our customers and communities through effective dialogue and various programs improving responsiveness to complaints ensuring that our customers are given the best service. The Unit carried out and are continuing to implement the following;

- Community outreach programs
- Radio talk awareness programs
- Community consultations on particular issues

³ 5 trainings

⁴ Report Writing, Customer Service

⁵ Laumua o Punaoa, Uesiliana, Don Bosco, and NUS

- 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 mean through radio, television as well as the utilisation of digital billboards and social media,
- Continued support for educational programs such as field visits at treatment facilities.
- Participate in National commemoration days and Academic Institutions open day programmes

A Pay and Win promotion began in December 2018 as an initiative to give back to the community who are consistent with paying their bills as well as encouraging willingness of customers to pay. As of June 30 2019, 14 winners were drawn and each won a 3,600 litre water tanks and fittings.

The Authority also signed a naming rights sponsorship deal in February 2019 with the Samoa Weightlifting Federation team to support their efforts with the Samoa Pacific Games 2019, Commonwealth Games 2019, Oceania Championships 2019, IWF Junior World Championships 2019 as well as qualifiers for the Tokyo 2020 Olympic Games. The sponsorship was intended to bring more public awareness to SWA corporate objectives by leveraging the success of the Federation's teams and resulting publicity.

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. Strengthened media awareness through internet and advertisements. Extreme measures continue to be implemented to collect long outstanding water debts with weekly special disconnections involving all of SWA staff aside from the normal daily disconnection program. There are also weekly mobile collections run for Upolu rural areas and Savaii. In addition to the new collection booth at Mulifanua wharf SWA has now added Bluesky M-Tala to make water bill payments more accessible to our customers especially our rural based customers who can now make payments from home.

The Authority has also initiated another form of assistance to low income families in hardship (especially those with elderly family members and/or members with special needs) and whom have been disconnected for a lengthy period of time. This exercise is an on-going process by visiting customer homes.

Improvements contributed to the consistent increase in revenue by 5% and collection by 14% from past year. Expenses decreased slightly to 1% compared to the 5% increase in

FY 17- 18 due to stricter controls on spending but ensuring SWA water services is not jeopardized.

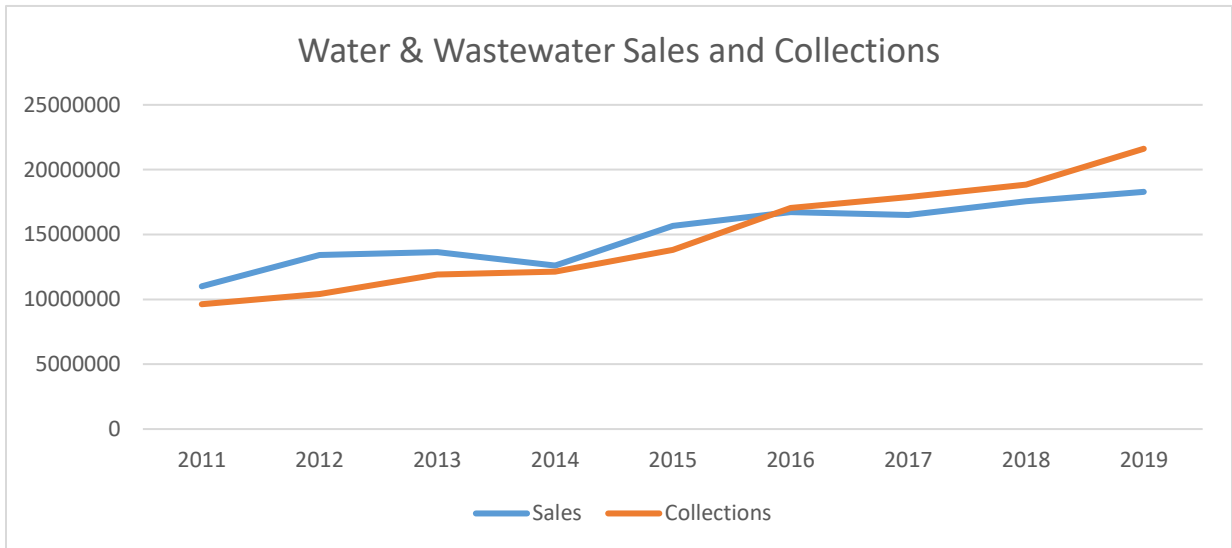


Figure 3 Water and Wastewater Sales and collections

SWA was able to increase Net profit from last year despite the drop in CSO funds. SWA’s ROE improved to 1% from 0.3% of last year but below the ROE policy of Government of 7% as SWA is mandated to provide Samoa with water supply and some works are non-commercially feasible but have to be done. However, 50% Dividend has been paid for 2016/2017, 2017/2018 profit as well as interim dividend for 2018/2019.

SUPPORT FOR NATIONAL AND SECTOR PLANS

The Authority has an integral 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 the Implementing Agency 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.

Listed in the six (6) outcomes below is an overview of achievements in the Water and Sanitation Sector Plan, with details of these achievements already set out previously in the Managing Director’s Report.

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

The Authority continues to increase its coverage area of the country's population. To date the increase has risen to 88%.

Outcome 3.2: NON-REVENUE WATER (NRW) REDUCED

The goal of reducing NRW is one important priority for the Authority's operations. Water loss management strategies such as leak detection, pressure management, pipe relocations, GIS updating and many other capital works continued and have considerably reduced NRW at the same time increasing the Authority's collections.

Outcome 3.3: DRINKING WATER QUALITY IMPROVED

As indicated previously, the water quality continues to be one of SWA's top priority to ensure the Samoa National Drinking Water Standards are met.

Outcome 3.4: FINANCIAL SUSTAINABILITY ENHANCED

Despite the reduction in Community Service Obligation funds, SWA has maintained & sustained water supply to non-commercial areas and is committed to improve supply with the assistance of donor funds under Budget Support & PPCR. 14% increase in collections reflect measures in place to recover outstanding water bills and easier bill payments for all customers in Upolu & Savaii. An initiative to provide special arrangement for Customers facing hardships was implemented. Stringent controls were placed on controllable expenses. During the year all dividend payments were paid up, but ROE remains to be a long-term goal. Details of the financial report presented in the Financial Report section of the report.

Outcome 3.5: CUSTOMER/ COMMUNITY SATISFACTION AND KNOWLEDGE INCREASED

The Public Relations Unit of the Authority continues to keep the communities and customers aware of the initiatives and the works carried out as shown in the television advertisements, talk shows, community and school programs and many more conducted throughout the financial year. The public response shown through social media is anticipated to be a bigger platform the Authority can use to further strengthen its awareness and community outreach programs.

Outcome 3.6: ORGANISATIONAL CAPACITY ENHANCED AND IMPROVED OFFICE FACILITIES

The Authority continues to ensure capacity building opportunities through relevant training courses both local and international are available for all its staff members, with refresher exams from time to time to capture their understanding of the work they are performing daily. It has and will commit to create opportunities to have students trained while finishing

studies to prepare them to enter the workforce and more importantly create opportunities for the employees to contribute back to the community and assist with all Government plans.

The new Vaitele Headquarters design is well underway with implementation anticipated in the upcoming fiscal year.

PROGRESS WITH CORPORATE OBJECTIVES

Strategy	Progress
Objective 1: CUSTOMER SATISFACTION AND COMMUNITY ENGAGEMENT	
Resolve WW customer complaints within 24 hrs.	Achieved
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	Achieved
Water bills delivered on a monthly basis	Ongoing and progressing well
Carry out at least 1 community awareness activity a month	Achieved
Objective 2: IMPROVE SERVICE DELIVERY	
Compliance with drinking water standards	Achieved
Wastewater Treatment Plant Compliance with SPREP Effluent Standards	Achieved
Wastewater Treatment Plant Utilization	61%
Non-Revenue Water	Achieved
Installation of Submains extending coverage	Achieved
Increase number of existing borehole supply with disinfection facilities	Achieved
Objective 3: FINANCIAL SUSTAINABILITY	
Operation Cost Recovery	Improved
Billing Efficiency	Achieved
Collection Efficiency	Achieved
Reduce Accounts Received Turnover Days	Improved
Reduce Debts owed to SWA	Ongoing – progressing well, special disconnection programs ongoing and legal notices for significant amounts & disconnected accounts
Increase Metered customers	Achieved
Improve Return on Equity	Ongoing
Objective 4: INTERGRATED WATER MANAGEMENT	
Hold community consultations before, during and after implementation of all capital works	Achieved /ongoing
Drinking Water Safety Plans	Ongoing

Asset Management Plan	Ongoing
Participate in TSC meetings	Achieved
Participate in other subsector meetings including JWSSC	Achieved
Present at the Annual Water and Sanitation Sector Review	Achieved
Complete the PWWA Benchmarking Questionnaire	Achieved
Participate at the Annual PWWA Conference	Achieved – 10 participants attended 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
Perform annual IT hardware and software full inspection and report to Management	Achieved
Redesign SWA website and ongoing updating	Achieved
Upgrade Servers, WAN, Firewall, windows domain server, SAN server, email, VSE, backup and disaster recovery	100% Upgrade Servers 50% WAN – awaiting completion of testing 80% Firewall Upgrade 100% SAN Server Upgrade 50% Off-site Disaster Recovery – RFQs sent out to suppliers
Continuous Vehicle Inspection and maintenance	Ongoing- progressing well
Training Programs for ALL staff Management and Directors	Achieved
Implement Employee Performance Appraisals for all staff, Management and Managing Director	Achieved
Weekly Management meetings	Achieved
Improve employee awareness of internal activities through Galala newsletter	Achieved
OSH Training	Not Achieved
Board of Director Meetings	Achieved MONTHLY.
Annual Reports & Quarterly Reports	Achieved
Corporate Plan and Statement of Corporate Objectives	Achieved – approved by Cabinet
Develop and Implement Audit Plan	Achieved – annual audit plan approved by Audit Committee and 100% implemented by end of FY 18/19
Implement control measures to deliver or improve statutory and policy/procedure compliance	Achieved

Provide consultations/training on specific legal issues and processes	Achieved
Monitor compliance to all legislations including Cabinet decisions and SWA policies/procedures	Achieved
Review SWA Act 2003	Ongoing, awaiting final review of draft from AGs office
Establish partnership with Academic Institutions	Achieved
Trial smart metering Technology	Ongoing
Install Water supply SCADA system	Phase 1 installation completed and system implemented. Phase 2 in progress.

SAMOA WATER AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Samoa Water Authority
Financial Statements
For the year ended 30 June 2019

CONTENTS

	Page
Directors' Report	1
Management's Report	2
Independent Audit Report	3-4
Statement of Financial Performance	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to Accounts	9-25

Samoa Water Authority
Directors' Report
For the year ended 30 June 2019

The Directors present their report together with the financial statements of Samoa Water Authority ("the Authority") for the year ended 30 June 2019 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 Lilomaiava 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 2019;
- (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 2019.

Operating Results

The net profit for the year is \$639,326 (2018: net profit \$218,185)

Reserves

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

Dividends

The Directors have declared a dividend (35% of profits) be paid for the current year.

Dated at Sogi this 31st day of October, 2019.

Signed in accordance with a resolution of the Directors.

CHAIRMAN OF THE BOARD

MANAGING DIRECTOR

Samoa Water Authority
Management's Report
For the year ended 30 June 2019

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 31st October 2019



Heseti Sione
Commercial Manager

Dated 31st October 2019



AUDIT OFFICE

Please address all correspondence
to the Controller and Auditor General

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 2019, 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 Pauga & 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 2019, 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

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to the Controller and Auditor General*

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.

Jaslyn T. Mariner-Leota
ASSISTANT CONTROLLER AND AUDITOR GENERAL

Apia, Samoa
31 October 2019

Samoa Water Authority
Statement of Financial Performance
For the year ended 30 June 2019

		2019	2018
		\$	\$
	Notes		
Income			
Customer water services revenue	5	18,807,283	18,096,196
Wastewater revenue		2,273,861	2,050,477
Grants	6	3,679,821	3,877,934
Amortisation	19	1,789,547	1,789,582
Other income		1,049,624	1,094,595
Total income		<u>27,600,136</u>	<u>26,908,784</u>
Expenses			
Administration and other costs	7	3,373,090	3,062,987
Audit fees		57,996	62,100
Doubtful debts account receivables	15	200,000	200,000
Depreciation	13	5,333,083	5,198,679
Directors fees and costs	11	107,534	106,913
Personnel costs	10	8,366,741	8,111,842
Operations and maintenance costs	8	9,551,352	9,880,706
Stock write off		-	3,123
Total expenses		<u>26,989,795</u>	<u>26,626,350</u>
Net finance costs	9	(28,986)	64,249
Net profit		<u><u>639,326</u></u>	<u><u>218,185</u></u>

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

Samoa Water Authority
Statement of Financial Position
As at 30 June 2019

ASSETS	Notes	2019 \$	2018 \$
Non current assets			
Property, plant and equipment	13	<u>165,918,051</u>	<u>162,768,531</u>
Current assets			
Cash and cash equivalents	17	19,410,590	18,544,295
Trade receivables	15	3,601,812	4,498,791
Others debtors and prepayments	16	1,907,272	893,138
Inventory	14	<u>1,423,281</u>	<u>1,656,893</u>
Total current assets		<u>26,342,955</u>	<u>25,593,117</u>
TOTAL ASSETS		<u>192,261,006</u>	<u>188,361,648</u>
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		<u>(54,015,314)</u>	<u>(54,354,511)</u>
Total equity		<u>65,939,196</u>	<u>65,599,999</u>
Non current liabilities			
Deferred Income	19	122,521,193	117,463,309
Borrowings	20	<u>0</u>	<u>235,408</u>
		<u>122,521,193</u>	<u>117,698,717</u>
Current liabilities			
Trade creditors	21	890,199	1,189,048
Other creditors and accruals		812,388	724,896
Provision for dividends		86,746	1,031,772
Deferred income	19	1,789,547	1,789,582
Current portion of borrowings	20	<u>221,736</u>	<u>327,634</u>
Total current liabilities		<u>3,800,616</u>	<u>5,062,932</u>
TOTAL EQUITY AND LIABILITIES		<u>192,261,006</u>	<u>188,361,648</u>

Signed on behalf of the Board:



Chairman of the Board -
SWA
31st October 2019
Dated



Managing Director
31st October 2019
Dated

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

Samoa Water Authority
Statement of Changes in Equity
For the year ended 30 June 2019

	Government of Samoa Equity	Asset Revaluation Reserve	Accumulated Losses	Total
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
Balance as at 1st July 2018	84,660,413	35,294,097	(54,354,511)	65,599,999
Net profit for the period	-	-	639,326	639,326
Dividends			(300,129)	(300,129)
Balance as at 30th June 2019	84,660,413	35,294,097	(54,015,314)	65,939,196

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

Samoa Water Authority
Cash Flow Statement
For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Receipts from customers		21,614,765	18,859,914
Community service obligation		2,000,000	1,994,521
Grants	6	1,679,821	1,883,410
VAGST refund		1,054,416	926,585
Others		1,259,409	1,356,286
		<u>27,608,411</u>	<u>25,020,716</u>
<i>Cash was disbursed to:</i>			
Payments to employees		(8,882,311)	(8,771,546)
Payments to suppliers and for expenses		(13,531,545)	(13,595,744)
		<u>(22,413,856)</u>	<u>(22,367,290)</u>
Net cash flows from operating activities		<u>5,194,555</u>	<u>2,653,426</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		118,216	55,956
Interest received		240,117	125,673
Purchase of fixed assets		(10,568,230)	(6,190,586)
Net cash flows for investing activities		<u>(10,209,897)</u>	<u>(6,008,957)</u>
Cash flows from financing activities			
Budget support grant for construction of water supply systems including cyclone affected areas		7,569,999	6,760,633
Dividends paid		(1,245,149)	
Finance lease payments		(443,213)	(513,062)
Net cash flows for financing activities		<u>5,881,637</u>	<u>6,247,571</u>
Net increase/(decrease) in cash balances		866,295	2,892,040
Cash balances brought forward		18,544,295	15,652,255
Ending cash balances	17	<u><u>19,410,590</u></u>	<u><u>18,544,295</u></u>
Represented by:			
Cash on hand		3,030	2,730
Cash at Bank		19,316,193	18,451,605
Short Term Deposits		91,367	89,960
	17	<u><u>19,410,590</u></u>	<u><u>18,544,295</u></u>

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

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 2019.

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 (WST).

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 2019

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:

	2019	2018
• 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.

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.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

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.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 recognizes 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.

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

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

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.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

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

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 2019 (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.

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 2019.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

5. Customer water services revenue

Details of revenues are specified as follows:

	2019	2018
	\$	\$
Flat rate revenue consumers	140,182	98,550
Metered consumers - commercial customers	6,387,205	5,920,785
Metered consumers - domestic customers	11,765,623	11,540,651
Other water services revenue	514,273	536,210
Gross revenue	<u>18,807,283</u>	<u>18,096,196</u>

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:

	2019	2018
	\$	\$
Community service obligation	2,000,000	1,994,524
Pilot Project Climate Resilience	149,821	-
Grant for Capacity building under budget support	1,530,000	1,883,410
	<u>3,679,821</u>	<u>3,877,934</u>

7. Administration and other costs

Administration and other costs are specified as follows:

	2019	2018
	\$	\$
Administration expenses	2,112,167	2,087,093
Advisory committee	74,151	81,188
Office electricity and telecommunication	353,179	322,669
Public relation costs	377,571	216,577
Training costs	324,479	253,577
Travel costs	111,734	80,592
Staff welfare and donations	19,809	21,291
	<u>3,373,090</u>	<u>3,062,987</u>

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

8. Operations and maintenance costs

Operations and maintenance costs are specified as follows:

	2019	2018
	\$	\$
Materials, hire and others	4,948,455	5,206,811
Protective gears and laboratory supplies	157,437	132,036
Electricity costs	2,523,345	2,733,892
Compensation and caretaker costs	369,169	390,223
Contractors and others	537,811	458,081
Maintenance of non-system assets	1,015,135	959,663
	9,551,352	9,880,706

9. Net finance costs

Net finance costs are specified as follows:

	2019	2018
	\$	\$
Unrealised exchange (gain)/loss	(71,487)	14,456
<i>Interest expenses relating to:</i>		
Finance lease	42,502	49,793
Borrowings	-	-
Bank overdraft	-	-
Net finance costs	(28,986)	64,249

10. Personnel costs

Personnel costs are specified as follows:

	2019	2018
	\$	\$
Personnel costs	7,715,417	7,440,615
<i>Employers contribution to:</i>		
National Provident Fund	570,697	586,450
Accident Compensation Corporation	80,627	84,777
	8,366,741	8,111,842

Personnel costs in the cash flow statement of \$8.8 million includes costs funded under the budget support funds of \$515,570 for in-house non-revenue water works.

The average number of persons employed including part-timers during the year 292 (2018: 286).

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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 Lilomaiava Gary Shuster (Private Sector-board member)
Susuga Leusa 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:

	2019	2018
	\$	\$
Directors fees	95,540	93,130
Directors allowances	-	-
Travel and accomodation expenses	1,630	1,440
Other cost	10,364	12,343
	<u>107,534</u>	<u>106,913</u>

iii. Management personnel costs

The remuneration of management during the year was as follows:

	2019	2018
	\$	\$
Salaries and short-term employment benefits	858,942	879,475
<i>Employers contribution to:</i>		
National Provident Fund	60,125	61,563
Accident Compensation Commission	8,586	8,795
	<u>927,653</u>	<u>949,833</u>

12. Operating leases

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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

	2019	2018
	\$	\$
Not later than 1 year	464,640	464,640
Later than one year but not later than 5 years	<u>2,323,200</u>	<u>2,323,200</u>
	<u><u>2,787,840</u></u>	<u><u>2,787,840</u></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 \$530,796 (2018:\$469,140) for the Authority were recognised as an operating expense in the income statement in respect of operating leases.

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

13. Property, plant and equipment

	Land & Buildings	Workshop & Office equipment & furniture	Water Supply & Plant Assets	Motor vehicles	Total
Cost					
Cost at 1st July 2017	2,242,742	4,779,898	181,856,176	6,309,176	195,187,992
Revaluation at 1st July 2017		592	35,225,344	68,161	35,294,097
Cost and revaluation at 1st July 2018	2,242,742	4,780,490	217,081,520	6,377,337	230,482,089
Additions		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	222,972,858	6,822,489	236,970,316
Additions		209,480		1,104,278	1,313,758
Disposals		-	-	(523,329)	(523,329)
Balance at 30th June 2019	2,242,742	5,141,707	222,972,858	7,403,438	237,760,745
Accumulated depreciation					
Balance at 1st July 2017	(183,884)	(3,900,826)	(73,186,493)	(5,771,479)	(83,042,682)
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	(210,653)	(4,325,716)	(77,488,633)	(5,996,294)	(88,021,296)
Depreciation charge for the year	(26,769)	(293,277)	(4,571,991)	(441,046)	(5,333,083)
Disposals		0		523,329	523,329
Balance at 30th June 2019	(237,422)	(4,618,993)	(82,060,624)	(5,914,011)	(92,831,050)
Capital works in progress 2018	-	-	13,819,511	-	13,819,511
Capital works in progress 2019	-	-	20,988,356	-	20,988,356
Net book value					
As at 1st July 2018	2,032,089	606,511	159,303,745	826,195	162,768,531
As at 30 June 2019	2,005,320	522,714	161,900,590	1,489,427	165,918,051

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

	2019	2018
	\$	\$
Cost - capitalised finance leases	978,261	978,261
Accumulated depreciation	(573,914)	(329,648)
Net book amount	<u>404,347</u>	<u>648,613</u>

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

14. Inventory

Inventories are specified as follows:

	2019	2018
	\$	\$
Chemicals and filters	93,437	94,582
Pipes and fittings	1,032,710	1,368,578
Water meters	297,134	193,733
	<u>1,423,281</u>	<u>1,656,893</u>

The cost of inventories recognised as expense during the year and included in 'operations and maintenance' expense amounted to \$1,326,426 tala (2018: \$1,365,318 tala).

15. Trade receivables

Trade debtors are specified as follows:

	2019	2018
	\$	\$
Flat rate customers	571,040	710,602
Metered customers - domestic	5,693,142	6,353,752
Metered customers - commercial	672,357	825,082
Wastewater customers	303,880	325,701
Accrued revenues	1,304,833	1,206,797
Gross debtors	<u>8,545,252</u>	<u>9,421,934</u>
Less allowance for non-collectible accounts	<u>(4,943,440)</u>	<u>(4,923,143)</u>
Net trade debtors	<u>3,601,812</u>	<u>4,498,791</u>

As of 30 June 2019, trade receivables for water customers of \$2,330,633 (2018:\$2,762,207) 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:

	2019	2018
	\$	\$
Current	2,634,773	2,472,133
30 days	936,095	927,323
60 days	633,843	798,265
90 days	456,152	620,534
over 90 days	3,884,389	4,603,679
Total trade receivables	<u>8,545,252</u>	<u>9,421,934</u>

Trade receivables for water consumers that are less than one year past due are not considered impaired. As of 30 June 2019, trade receivables of \$4,520,463 (2018:\$4,991,683)

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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:

	2019	2018
	\$	\$
Opening balance	4,923,143	4,805,774
Additional provision	200,000	200,000
Write-offs	(179,703)	(82,631)
Closing balance	<u>4,943,440</u>	<u>4,923,143</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 \$246,094 (2018:\$330,782).

16. Other receivables and prepayments

Other receivables and prepayments are specified as follows:

	2019	2018
	\$	\$
Receivable from Ministry for Revenue - VAGST	1,500,442	910,818
Prepayments	73,688	50,735
Other debtors	683,142	281,585
	<u>2,257,272</u>	<u>1,243,138</u>
Less provision for doubtful debts	(350,000)	(350,000)
	<u>1,907,272</u>	<u>893,138</u>

The ageing of other receivables is as follows:

	2019	2018
	\$	\$
Not more than 1 year	1,549,158	949,344
More than 1 year but less than 2 year	475,875	188,072
More than 3 years	232,239	105,722
	<u>2,257,272</u>	<u>1,243,138</u>

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

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

	2019	2018
	\$	\$
Opening balance	350,000	350,000
Write-offs	-	-
Over provision prior years	-	-
Closing balance	<u>350,000</u>	<u>350,000</u>

17. Cash and cash equivalents

Cash and cash equivalents are specified as follows:

	2019	2018
	\$	\$
Cash on hand	3,030	2,730
Cash at bank	19,316,193	18,451,604
Short term deposits	91,367	89,961
Total cash and cash equivalents	<u>19,410,590</u>	<u>18,544,295</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

	2019	2018
	\$	\$
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
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

19. Deferred income

Deferred income details are specified as follows:

	Opening balance	Additions	Amortisation	Closing balance
	\$	\$	\$	\$
Motor vehicles	139,531	-	(55,104)	84,427
Workshop and technical equipments	144,873	-	(72,437)	72,436
Buildings	90,480	0	(1,812)	88,668
Furnitures and fittings	-	-	-	-
Tsunami water works	2,484,845	-	(55,219)	2,429,626
Budget support funds for capital works	35,627,432	6,847,396		42,474,828
Reticulation and mains	17,204,023	0	(234,283)	16,969,740
Boreholes	1,109,443	0	(23,474)	1,085,969
Wastewater Pressure Sewerage System	11,353,479	-	(258,034)	11,095,445
River Intakes	871,293	0	(18,248)	853,045
Treatment Plants	50,227,492	0	(1,070,936)	49,156,556
	119,252,891	6,847,396	(1,789,547)	124,310,740

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 \$82.3m 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

	2019 \$	2018 \$
Non current		
Finance lease liabilities	-	235,408
	<u>-</u>	<u>235,408</u>
Current		
Finance lease liabilities	221,736	327,634
	<u>221,736</u>	<u>327,634</u>
Total borrowings	<u><u>221,736</u></u>	<u><u>563,042</u></u>

Samoa Water Authority
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2019

i. Minimum lease payments:

	2019	2018
	\$	\$
No later than 1 year	249,348	383,805
Later than 1 year and no later than 5 years	-	249,351
	249,348	633,156
Less future finance charges on finance leases	(27,612)	(70,114)
Present value of finance lease liabilities	221,736	563,042

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

	2019	2018
	\$	\$
No later than 1 year	221,736	352,173
Later than 1 year and no later than 5 years	-	210,869
	221,736	563,042
	221,736	563,042

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:

	2019	2018
	\$	\$
Current	735,518	1,085,543
30 days	60,141	73,050
60 days	6,158	30,455
90 days and over	88,382	0
	890,199	1,189,048

22. Capital commitments and contingent liabilities assets

Capital commitments of \$17 million as at 30 June 2019 as per SWA Investment Plan jointly funded by SWA, EU Budget Support & PPCR (World Bank), to improve unreliable supply, replace old and leaking pipes for non-revenue works and extend supply to new settlements due to climate change.

Contingent liabilities arising from pending litigation matters:

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.