



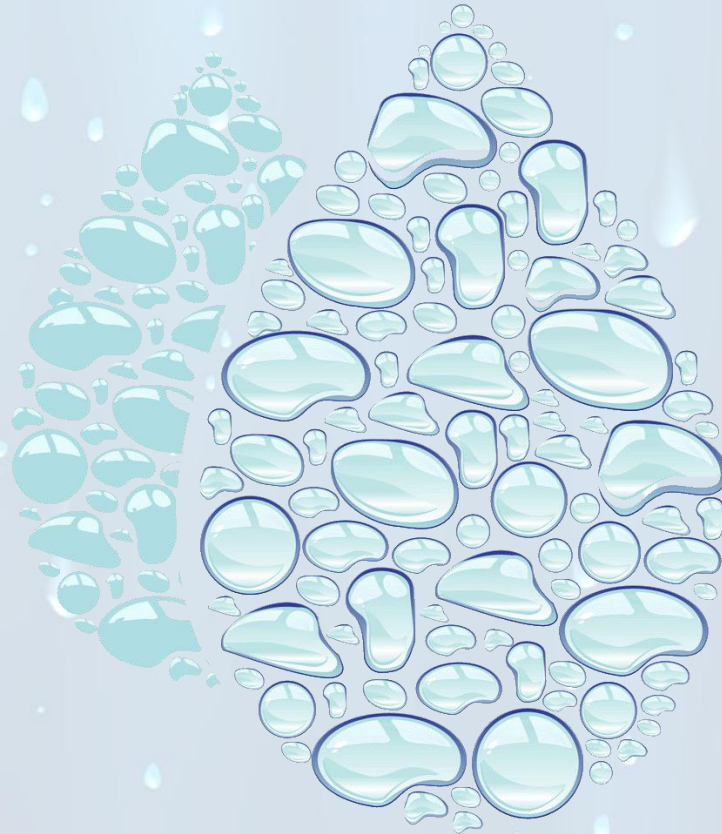
***WATER AND SEWERAGE CORPORATION***

**2010**

*Annual Report*

# VISION STATEMENT

*Committed to growth, committed to quality.*



## MISSION

*To transform the Corporation into an efficient, customer focused organization that provides quality service and enjoys a reputation for consistently high performance.*

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# 2010 ANNUAL REPORT

## MINISTERS

**The Honourable Earl D. Deveau, MP**

Minister of Environment

**The Honourable Phenton O. Neymour, MP**

Minister of State In The Ministry of Environment (Utilities)

## BOARD OF DIRECTORS AT DECEMBER 31, 2010

**Anton A. Saunders**

**Pauline Cooper-Nairn**

**Michael Cunningham**

**Pamela Miller**

**Gia Cartwright**

**Sean Blyden**

**Chairman**

**Deputy Chairman**

**Board Member**

**Board Member**

**Board Member**

**Board Member**

## EXECUTIVE MANAGEMENT AT DECEMBER 31, 2010

**Glen F. Laville**

**Christopher B. Sherman**

**Sandra B. Edgecombe**

**Elwood L. Donaldson**

**Daphne L. Simmons**

**Philip J. Beneby**

**Robert C. Deal**

**Cheri M. Hanna**

**General Manager**

**Deputy General Manager / Engineering & Planning**

**Deputy General Manager / Chief Financial Officer**

**Senior Assistant General Manager / Internal Control & Compliance**

**Senior Assistant General Manager / Human Resources**

**Assistant General Manager / Family Islands & Business Development**

**Assistant General Manager / New Providence & Marine Operations**

**Assistant General Manager/Commercial Operations**

## HEADQUARTERS

**P. O. Box N-3905**

**No. 87 Thompson Boulevard**

**Nassau, Bahamas.**

**Telephone: (242) 302-5500**

## AUDITORS

**PKF Chartered Accountants**

**P. O. Box N-8335**

**Nassau, Bahamas**



# CHAIRMAN'S REMARKS

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In 2010, the Water and Sewerage Corporation continued its efforts to achieve operational and financial sustainability by following up on initiatives started in 2009, namely:

- (i) the development of a water and sanitation sector strategy;
- (ii) international competitive bidding for a performance-based contract to reduce non-revenue water (NRW) in New Providence;
- (iii) review of the legal and regulatory framework for the sector, and;
- (iv) permission to replace the barging operation.

The result of these activities is to prepare and ensure that 2011 is one of significant change for the Corporation through the establishment of operational and financial reform to the Corporation, and structural reform to the sector.

It is expected that these efforts will lay the foundation for the Corporation to become a viable entity that is operationally efficient and financially independent within the next 3-5 years.

With respect to the 2010 Annual report and Audited Financial Statements, it is likely that the total comprehensive income figure of \$47.2 Mn will be misunderstood. However, it is extremely important to note that this was a **one-time, non-cash adjustment arising from an asset valuation exercise**. It related to prior years when infrastructural assets constructed by third parties were not recorded in the Corporation's financial records.

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Anton A. Saunders  
Chairman, Board of Directors  
Water & Sewerage Corporation

# BOARD OF DIRECTORS

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**Anton A. Saunders**  
*Chairman*



**Pauline Cooper-Nairn**  
*Deputy Chairman*



**Photograph  
Not available**



**Sean Blyden**  
*Board Member*



**Michael Cunningham**  
*Board Member*



**Pamela Miller**  
*Board Member*

# GENERAL MANAGER'S REMARKS

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The sector strategy developed in 2009 with the assistance of the Inter-American Development Bank resulted in a detailed Action Plan being prepared to address several key issues namely: (i) the reduction of non-revenue water (NRW) in New Providence; (ii) improving staffing efficiency; (iii) legal and regulatory reform; (iv) development of a sewerage master plan for New Providence and key rehabilitation/refurbishment activities, and; (v) increased private-sector participation.

As a result of the efforts, the Corporation is close to awarding: (a) a 10 year performance-based contract for the reduction of NRW by over 3.0 Million gallons per day; (b) a contract to develop a detailed organizational restructuring strategy to improve staffing efficiency, and; (c) a contract to increase desalinated water production and replace barging.

The Corporation has also commenced updating of the Family Islands Capital Development Plan to ensure both the Government and the Corporation have a comprehensive indication of the scope and cost of Family Islands infrastructure. The Corporation has also signed a Memorandum of Understanding with a Bahamian firm to provide renewable energy to a new desalination facility in Eleuthera. This represents the first such contract and if successful, it will be replicated at other Family Island facilities to lower production costs, reduce emissions, and contribute to the reduced dependence on fossil fuels in accordance with the National Energy Policy.

Implementation of these activities and sector reform to: (i) provide independent economic regulation of the sector through the Utilities Regulation and Competition Authority (URCA), and (ii) strengthen environmental regulation through a new independent regulator, will lead to the financial and operational sustainability of the Corporation.

2010 has been a year of continued progress and 2011 will be a pivotal year for the Corporation as it seeks financing and support for its Action Plan, while implementing those aspects within its capacity. All the initiatives and activities are focused on its Mission:

*To transform the Corporation into an efficient, customer focused organization that provides quality service and enjoys a reputation for consistently high performance.*

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Glen F. Laville  
General Manager



# EXECUTIVE MANAGEMENT

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**Glen F. Laville**  
*General Manager*



**Christopher B. Sherman**  
*DGM/Engineering & Planning*



**Sandra B. Edgecombe**  
*DGM/Chief Financial Officer*



**Elwood L. Donaldson**  
*SAGM/ICC & Water Quality*



**Daphne L. Simmons**  
*SAGM/Human Resources*



**Philip J. Beneby**  
*AGM/FI & Bus. Development*



**Cheri M. Hanna**  
*AGM/Commercial Operations*



**Robert C. Deal**  
*AGM/N.P. & Marine Operations*



# FINANCIAL OVERVIEW

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During 2010, Management made significant progress in addressing observations made by external auditors PKF Bahamas Ltd in the 2008 and 2009 Memorandum on Internal Controls and Accounting Procedures, specifically:

1. (there were) “no formally documented comprehensive operational procedures/policies and controls’ manuals. This absence of clearly defined and communicated policies and procedures increase the potential for errors or inaccuracies in the processing of transactions.”
2. “we were again not provided with any formal documentation of the procedures employed by the Corporation to assess its overall risk of the occurrence of fraud, or material mis-statement within the Corporation or in the financial statements. Whilst we believe that such procedures are being implemented, we were not provided with written documentation of same.”
3. “deficiencies in accounting procedures related to property, plant & equipment”. These deficiencies included: not having recorded in the financial statements assets constructed by Government and subdivision developers prior to 2007; not relieving the fixed asset register of most items physically disposed of or out of use; and no documented procedure for assessing asset impairments.

Castalia Strategic Advisors were appointed to; (i) prepare a comprehensive policies and procedures manual, and risk analysis and control assessment, and; (ii) conduct a valuation of the Corporation’s fixed assets . Item (i) – Policies & Procedures Manual, which addressed the first two concerns, was completed in February 2011, and item (ii) – Fixed Asset Valuation, was completed in early July 2011, and resulted in a new fixed asset register that addressed the deficiencies noted in 3 above

## **FINANCIAL POSITION**

The fixed assets review noted above resulted in a valuation adjustment that increased the Corporation’s property, plant and equipment value by \$50.65 Mn, with a corresponding equity increase. The exercise also resulted in reclassification of certain assets to align with operations. Other impacts of the valuation exercise include changes in the amortization rate for deferred income, from 25 to 35 years, which is reflected in equity.

Net accounts receivables increased by \$2.68 Mn or 55.4% in 2010 , from \$4.83 Mn in 2009 to 7.51 Mn. Balances due from Government agencies, ministries and departments increased more than two-fold, from \$3.3 Mn to \$6.96 Mn.

Net current liabilities as at December 31, 2010 increased by \$5.52 Mn or 8% to \$74.26 Mn, from \$68.74 Mn in 2009. Trade payables included \$6.16Mn (2009 - \$5.34 Mn) owed to Consolidated Water (Bahamas) Ltd, which produces approximately 70% of New Providence’s total supply.

## OPERATING RESULTS

The 2010 comprehensive operating loss before depreciation was \$13.38 Mn (2009: \$10.44 Mn), increasing by \$2.94 Mn or 28.2%. Taking into account depreciation and other operating costs as well as government subsidies, the Corporation experienced a net operating loss of \$3.07 Mn in 2010, compared to a net operating profit of \$6.38 Mn in 2009.

### Operating Revenues and Subsidies

Changes in operating revenues and subsidies over one and five years, broken down between New Providence and Family Island operations, and summarized by service are set out in Figure 1 below:

**Figure 1 - Operating Revenues and Government Subsidies**

In B\$ 000							
	2010	1 Year	5 Years	1 Year Variance		5 Year Variance	
		2009	2005	\$	%	\$	%
<b>New Providence</b>							
Water	\$ 31,089.40	\$ 31,022.86	\$ 28,647.68	\$ 66.54	0.2%	\$ 2,442	8.5%
Sewer	\$ 3,924.51	\$ 4,636.88	\$ 3,176.94	\$ (712.38)	-15.4%	\$ 748	23.5%
<b>Total</b>	<b>\$ 35,013.90</b>	<b>\$ 35,659.74</b>	<b>\$ 31,824.62</b>	<b>\$ (645.84)</b>	<b>-1.8%</b>	<b>\$ 3,189</b>	<b>10.0%</b>
<b>Family Islands</b>							
Water	\$ 6,344.71	\$ 6,268.65	\$ 5,549.20	\$ 76.06	1.2%	\$ 796	14.3%
Sewer	\$ 94.15	\$ 92.71	\$ 0.00	\$ 1.44	N/A	\$ 94	N/A
<b>Total</b>	<b>\$ 6,438.86</b>	<b>\$ 6,361.36</b>	<b>\$ 5,549.20</b>	<b>\$ 77.50</b>	<b>1.2%</b>	<b>\$ 890</b>	<b>16.0%</b>
<b>SUMMARY</b>							
Water Revenues	\$ 37,434.10	\$ 37,291.51	\$ 34,196.89	\$ 142.60	0.4%	\$ 3,237	9.5%
Sewer Revenues	\$ 4,018.66	\$ 4,729.59	\$ 3,176.94	\$ (710.94)	-15.0%	\$ 842	26.5%
<b>Total Revenues</b>	<b>\$ 1,452.76</b>	<b>\$ 42,021.10</b>	<b>\$ 37,373.83</b>	<b>\$ (568.34)</b>	<b>-1.4%</b>	<b>\$ 4,078.93</b>	<b>10.9%</b>
<b>Subsidies</b>	<b>\$ 24,335.00</b>	<b>\$ 27,897.57</b>	<b>\$ 15,500.00</b>	<b>\$ (3,562.57)</b>	<b>-12.8%</b>	<b>\$ 8,835</b>	<b>57.0%</b>

### Operating Expenses before Depreciation

Operating expenses are presented for comparative purposes in conformity with the Statement of Comprehensive Income. A summary of the movement in operating expenses over one and five years respectively is shown in Figure 2 below:

**Figure 2 - Comparative Analysis of 2010 Operating Expenses vs. 2009 and 2005**

In B\$ 000								
	% of 2010 Expenses	2010	1 Year	5 Years	1 Year Variance		5 Year Variance	
			2009	2005	\$	%	\$	%
Water Purchases	37.2%	\$ 20,380.03	\$ 19,832.46	\$ 8,546.04	\$ 547.57	3%	\$ 11,833.99	138%
Staffing	27.8%	\$ 15,256.49	\$ 15,177.26	\$ 16,174.22	\$ 79.23	1%	\$ (917.73)	-6%
Electricity	6.9%	\$ 3,775.70	\$ 3,307.63	\$ 5,732.47	\$ 468.07	14%	\$ (1,956.77)	-34%
Shipping Charter Hire	6.7%	\$ 3,676.91	\$ 3,630.95	\$ 6,255.88	\$ 45.96	1%	\$ (2,578.97)	-41%
Fuel and Oil	5.6%	\$ 3,082.32	\$ 2,672.55	\$ 3,611.26	\$ 409.77	15%	\$ (528.94)	-15%
Repairs & Maintenance	4.4%	\$ 2,422.12	\$ 1,609.48	\$ 1,103.97	\$ 812.64	50%	\$ 1,318.15	119%
Bad Debts & Sundry Provisions	3.1%	\$ 1,679.67	\$ 1,795.19	\$ 1,726.75	\$ (115.52)	-6%	\$ (47.08)	-3%
Professional and Consultancy Fees	2.1%	\$ 1,150.79	\$ 893.20	\$ 616.76	\$ 257.60	29%	\$ 534.03	87%
Administrative Overhead	2.0%	\$ 1,094.57	\$ 1,146.20	\$ 928.97	\$ (51.63)	-5%	\$ 165.60	18%
Office Services	1.4%	\$ 752.53	\$ 664.98	\$ 764.57	\$ 87.55	13%	\$ (12.04)	-2%
Data Processing	0.7%	\$ 398.25	\$ 444.82	\$ 265.11	\$ (46.57)	-10%	\$ 133.14	50%
Miscellaneous	0.4%	\$ 237.58	\$ 184.00	\$ (101.97)	\$ 53.58	29%	\$ 339.55	-333%
Bank Charges	0.4%	\$ 202.17	\$ 203.32	\$ 131.52	\$ (1.15)	-1%	\$ 70.65	54%
Training	0.3%	\$ 145.18	\$ 130.95	\$ 136.48	\$ 14.24	11%	\$ 8.70	6%
Public Relations	0.2%	\$ 123.44	\$ 114.93	\$ 197.86	\$ 8.51	7%	\$ (74.42)	-38%
Travel	0.2%	\$ 120.80	\$ 82.62	\$ 186.29	\$ 38.18	46%	\$ (65.49)	-35%
Outside Services	0.2%	\$ 115.12	\$ 102.37	\$ 45.44	\$ 12.76	12%	\$ 69.68	153%
Chemicals	0.2%	\$ 111.59	\$ 116.69	\$ 178.39	\$ (5.10)	-4%	\$ (66.80)	-37%
Audit Fees	0.1	\$ 50.93	\$ 51.27	\$ 53.17	\$ (0.34)	-1%	\$ (2.24)	-4%
Other Shipping	0.1%	\$ 47.26	\$ 16.01	\$ 43.31	\$ 31.25	195%	\$ 3.95	9%
Claims and Damages	0.0%	\$ 9.53	\$ 285.32	\$ 8.78	\$ (275.80)	-97%	\$ 0.75	9%
	100%	\$ 54,832.98	\$ 52,462.17	\$ 46,605.27	\$ 2,370.81	5%	\$ 8,227.70	18%

### Staffing

Net staffing cost increases are commensurate with annual increments in accordance with industrial contracts. Overall headcount increased by 19, from 438 in 2009 to 457 (363 permanent, 94 contract employees) at the end of 2010. Revenue per employee decreased for the second consecutive year, by \$2,923 or 2.5%, to \$114,195 (2009: \$117,118) ~ based on permanent headcount.

### Energy

Electricity and fuel and oil costs rose in tandem, due to rising global energy costs.



## **Repairs and Maintenance**

Extensive government road paving works in New Providence resulted in network valves being buried, which created operational challenges. The Corporation contracted the services of several small companies to excavate and raise more than 460 valves, at a cost of nearly \$196,000. The Corporation also outsourced standpipe upgrades in excess of \$356,000. The Corporation has billed the Government for these works, which accounted for 68% of the increase in repairs and maintenance costs. Additionally, the increased repairs and maintenance expenses points to the ongoing deterioration of asset performance/condition caused by limitations in capital investment due to cash flow restrictions.

## **Professional and Consultancy Services**

This category includes consulting services, insurances, security services, engineering services, and legal costs. Increases were mainly a result of addressing concerns of the auditor in the field of policies and procedures, and asset valuation as mentioned earlier along with the update of financial modeling to compliment the Action Plan developed by WSC.

## **Office Services**

This includes: office supplies; customer bill mailing; cleaning and other services; telecommunications services and maintenance; and rent.

## **Data Processing**

This is principally for enterprise software licenses and technical support fees, as well as maintenance charges on computer equipment.

## **Public Relations**

Public relations costs include media advertisements and community announcements regarding roadworks, service improvements or disruptions. The Corporation also supports various civic and youth organizations through contributions and participation in Junior Achievement, Technical Cadet Corporation and various awards programs.

## **DEPRECIATION**

Depreciation expense increased by \$4.38 Mn or 53%, to \$12.65 Mn (2009: \$8.27 Mn). This included \$3.98 Mn arising from asset additions recorded in the valuation exercise. The exercise also included a review of the estimated useful life of all assets and adjustments to some depreciation rates including those for: sewer infrastructure, storage tanks and reservoirs, water pumping stations, water service lines, customer meters, and other equipment.

## **VALUATION ADJUSTMENT**

This one-time, non-cash adjustment arising from the asset valuation exercise relates to prior years when assets constructed by third parties were not recorded in the Corporation's financial records. It is reflected in comprehensive income in accordance with International Financial Reporting Standards.

## **COST RECOVERY**

It should be noted that tariffs have not been adjusted since March 1999. Rising operating costs have resulted from the combined effects of the shift to more desalinated water production coupled with normal inflationary pressures over the years. Overall operating cost recovery levels, which peaked at around 94% in 2004, declined to around 76% (2009: 79%), which is unacceptably low.



# DIVISIONAL HIGHLIGHTS & STATISTICS

## ENGINEERING & PLANNING DIVISION

### **Engineering Department**

This Department continued to provide Engineering Services to Real Estate developers and administer the process for the proper installation of the necessary infrastructure in new developments in accordance with the Private Roads and Subdivision Act.

Technical Services were also utilized to supervise the completion of a few facility improvements at various administrative facilities in New Providence namely:

- 1) The conversion of the old Training Centre to a new Sewerage Operations Centre at Blue Hill /Soldier Road; and
- 2) Commence the renovations of a new roof and stairway at Somerset Building.

### **Project Management Unit**

This unit was responsible for the project management of the Corporation's Family Island Water Improvement Plan which included works in Eleuthera and Abaco, and the new infrastructure works to be installed under the Ministry of Works & Transport - New Providence Road Improvement Program (NPRIP).

In Abaco, the new underwater transmission main from mainland Abaco to the Pumping Station facility at Green Turtle Cay was completed and commissioned to feed the community of New Plymouth in July, and the new expanded distribution system was commissioned in late November to allow all residents in Coco Bay and the Bluff House district to have access to a piped-water network. The Spring City Phase-1 water improvements were completed in March and after funds were made available from the Ministry of Housing to proceed with the transmission main from the Marsh Harbour Station, it was completed and commissioned in November. Also, a new RO plant was installed and commissioned on Grand Cay in December.

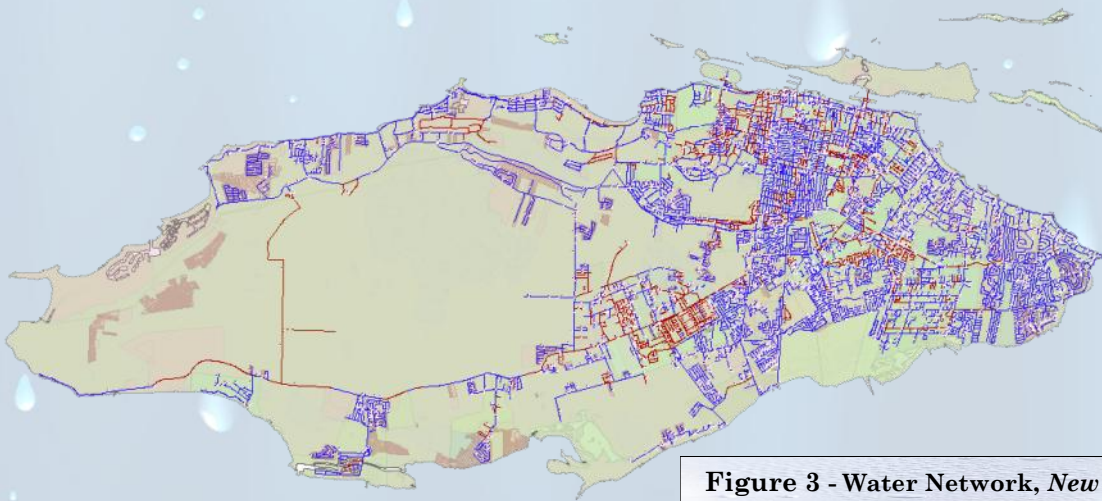
In Eleuthera under the Ministry of Works & Transport Road Paving Project, some 8,100 feet of 4-inch and 2-inch mains were replaced and commissioned along Bay Street and Dunmore Street in Harbour Island by September.

In New Providence, the upgrade of water and sewerage services along Shirley Street between Mackey Street and Village Road was completed in late February to allow Ministry of Works & Transport to pave that outstanding segment of the works. On the NPRIP, the sectional junctions of Bamboo Blvd. (C1A), JFK Drive (S24), and West Bay Street (S18); and road corridors of Bethel Avenue North (C4) and Bethel Avenue South (C5) have been substantially completed.

The following private developments namely: Blueberry Hill Estates, Congo Court, Milton Estates, Ophelia Estates, Orange Creek, Percy's Reserve Estates and Springfield Estates were issued a Take-over Certificate for the water distribution system only, and Balmoral Development Phase 1A, Killarney Shores, Saffron Hills, and Turnbury Estates, for both water and sewer collection systems.

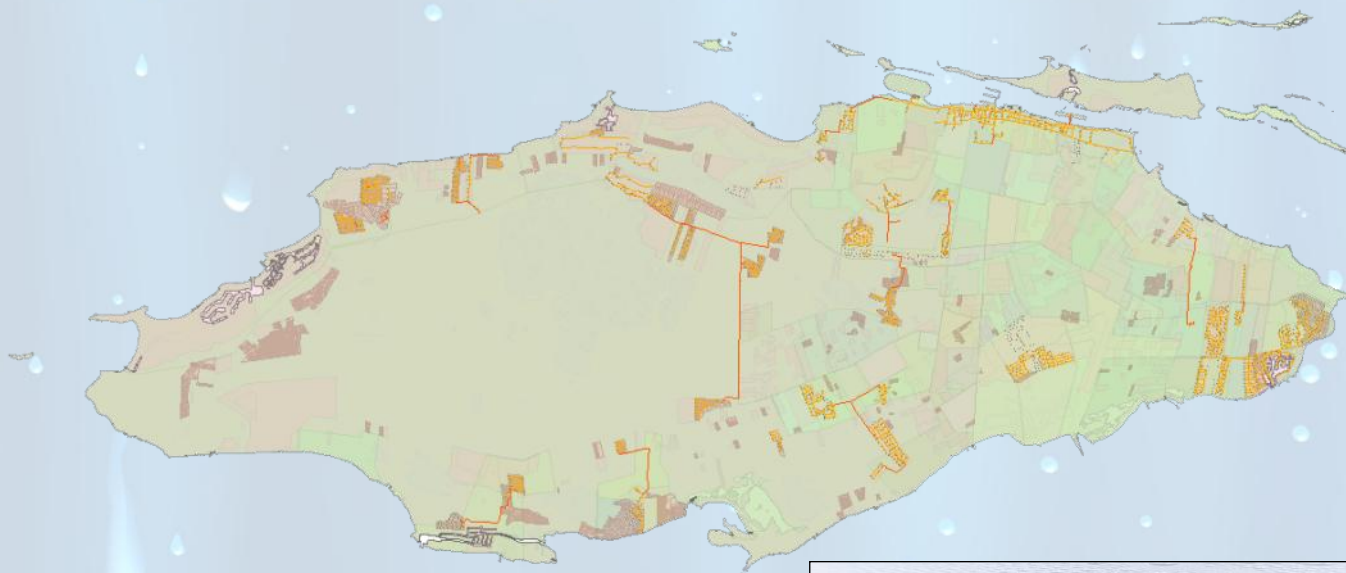
## GIS Services

The GIS system is being used to track the locations and conditions of water mains, valves, meters, hydrants, storage facilities, sewer mains, manholes and customer meters amongst other essential assets. All new subdivisions approved by Ministry of Works were digitized and in 2010, fourteen (14) subdivisions were added to the system. In addition to subdivisions, the 1999 street layer obtained from the Department of Lands & Surveys and subdivision parcels layer continues to be updated based on developer drawings. By December of 2010, some 670 miles of water mains (*See Figure 3*), and 116 miles of sewer mains (*See Figure 4*), were digitized in New Providence. Additionally 43,131 customer meters were collected using GPS devices.



**Figure 3 - Water Network, New Providence**

The GIS Services Department continued to expand its data collection activities to the Family Islands. During the year, customer meters in Eleuthera, and Abaco were collected and verified using GPS devices. Mains in Abaco were digitized during this period as well. The look and layout of GIS Website itself was upgraded and it was expanded to include online maps of Eleuthera, in addition to those already existing for Abaco, Inagua, San Salvador & Andros (*See Images Below in Figure 5*).



**Figure 4 - Sewer Network, New Providence**



**Figure 5 - GIS Website (Upgraded) - Family Island Maps**

#### **Data Collected in Family Islands**

Abaco
· Meters - 4452
· Water Mains Abaco – 87 miles
o Andros
· Meters - 1502
o Eleuthera
· Meters - 4042
o Inagua
· Meters - 344
· Water Mains – 12.83 miles
o San Salvador
· Meters - 281
· Water Mains– 15.78 miles

City-works, a GIS-based work order and asset maintenance management system continues to be used by departments in New Providence & Marine Operations to record operational orders and by the Call Centre to record and issue customer complaints in real-time. City-works was also adopted by Engineering & Planning Department for the tracking of the Subdivision development process. The GIS Website was updated regularly with City-works help documents for users to download.



The Citrix solution acquired by the Corporation was fully adopted during 2010. All GIS users were migrated to that platform in order to realize efficiency gains in terms of software performance and data accessibility.

## Water Resources Management

The department was involved in all matters concerning hydrogeological investigations, research and development of the resources, groundwater abstraction, reverse osmosis processes, wastewater effluent disposal, any land alterations that may affect hydrological conditions, and other environmental related aspects.

In 2010, listed below are several key operational activities the unit participated and assisted with:

- **Water Resources Management Regulations:** Continued to review existing water resources regulations in support of retaining unprotected water resource areas for future use, and assisted in the work towards draft water regulations for the Bahamas.
- **Hydrological and Environmental Guidance:** Assisted MOE, BEST, DEHS, and MOFSI with hydrological concerns for proposed developments throughout the Bahamas. Ongoing hydrological work in support of the following Regional Initiatives: Integrated Water Resources Management (IWRM), Integrated Coastal Zone Management (ICZM), and Integrated Water and Coastal Assessment Management (IWCAM).
- **Reverse Osmosis (RO) Projects and Chiller Water Supply Wells:** Designed and reviewed supply well specifications for facilities throughout the Bahamas: Wilson City, Abaco and Nassau International Airport Expansion for chiller water wells and Grand Cay, Abaco for a small SWRO Facility.
- **Sewerage and Effluent Disposal:** Approved the design of both waste water effluent and RO brine disposal wells throughout the Bahamas. Namely Airport Industrial Park WWTP and construction oversight of the refurbishment of Yellow Elder Garden disposal well in New Providence.
- **Bahamas Representation at International Meetings for Environmental Conventions pertaining to Water Resources Management:** Representation at Ramsar (Wetlands Convention), UNFCCC (Climate Change Convention), WMO (World Meteorological Organization), OAS (Organization of American States), UNESCO-IHP (United Nations Educational, Scientific and Cultural Organization International Hydrological Program), and the GWP-C (Global Water Partnership – Caribbean) Meetings.





## **NEW PROVIDENCE AND MARINE OPERATIONS DIVISION**

Annual Water-into-Supply was 3.832 billion imperial gallons or 10.50 MIGD as compared to 3.816 billion imperial gallons or 10.45 MIGD in 2009. NP water production sources remained substantially unchanged in 2010 as compared to 2009. The sources as a percentage of the total were the Blue Hills Desalination Plant (47%), the Windsor Desalination Plant (19%), shipping via the Titas (24%) and NP Wellfields (10%).

The Titas made 314 trips during the year (316 – 2009) transporting a total of 918 MIG (936 MIG – 2009) or an average of 2.514 MIGD (2.564 MIGD – 2009).

The average desalination costs was \$5.34/000 IG at Blue Hills (\$4.94/000 IG – 2009) and \$8.71/000 IG at Windsor (\$8.27/000 IG – 2009). The average cost for the Titas for charter hire, fuel and lube oil (O&M costs at Arawak Cay and North Andros not included) was \$6.54/000 IG imported (\$6.36/000 IG – 2009).

The principal New Providence operational challenges are Non-Revenue Water (NRW) and Red-Rusty Water.

Leaks repairs range from 350 to 450 per month with NRW estimated at 49.9% for the year based on annual sales of 1.919 billion imperial gallons as compared to 50.7% for 2009 based on annual sales of 1.883 billion imperial gallons. The limited in-house leak detection resources in conjunction with the available pressure management systems were maximized to limit any increase in NRW. The proposed 10-year NRW Project via a Consultant/ Contractor was not awarded as of the end of the year.

The ongoing Mains Renewal programme continued during the year with over 75,000 feet of water mains replaced utilizing WSC's in house personnel (~ 50,000 feet laid in 2009) with the focus on older iron mains to reduce the incidences of red or rusty water. Some of the areas included Nassau East South, Foxdale, Coral Harbour East & parts of Coral Harbor West and the eastern section of Yamacraw Hill Road. In addition to the ongoing Mains Renewal Programme to address red/rusty water complaints, a filter change and flushing programme continues. Also, the Consultant Red/Rusty Water Study was substantially completed.

748 new water connections and 169 new sewer connections were made during the year.

The NP sewerage system continues its gradual expansion with 91 lift stations operational in 13 different drainage basins. Of these 13, 11 have final disposal within the basin via deep disposal well and two (2) were utilizing tanker truck pump-outs as of the end of the year. The estimated average daily sewage collection was 6.977 MIGD. The Septage & Sludge Facility remains operational but in need of urgent improvements. Substantial capital investments are required for NP Sewerage, particularly with respect to wastewater treatment plants and disposal wells.

Sewerage Operations moved into a renovated WSC Facility at the junction of Soldier Road and Blue Hills Road during April 2010. Renovation works commenced on Building No. 8 at the JFK Drive Operations Compound during the second half of the year and these works are expected to be completed during 2011. Plans for the complete renovation of the Prospect Facility were completed during the year including a contract tender process with a recommendation for contract award.

There were 167 vehicles (146 trucks, 21 cars) in the WSC Fleet at the end of year of which 89 or 53% were 6 years or older. Nine (9) new fleet vehicles were purchased and deployed during the year and a further 20 were on order at the end of the year.





## **FAMILY ISLANDS AND BUSINESS DEVELOPMENT DIVISION**

There are approximately seventy-five (75) water supply and distribution systems throughout the Family Islands for which the Corporation had oversight and operational responsibility, including twenty-one (21) Reverse Osmosis plants ranging from 3k to 350k Imperial Gallons Per Day (IGPD).

All of the Family Island operations are running satisfactorily; however, there are occasions of power outages and other emergencies that impact our operations from time to time. Nonetheless, response and resolution are carried out within a reasonable time period.

Listed below are some highlights during the year:

### **FINANCIAL**

- Collection - Cash collections for 2010 was \$6.1M compared to \$5.5M in 2009. This was achieved through aggressive collection campaign strategy designed to reduce Accounts Receivable.
- Collection efficiency – 101% in 2010 and 104% in 2009.
- GIS update – All islands are to be outfitted with Global Positioning Systems (GPS), which is scheduled for completion by the 2nd quarter of 2011.
- New Connections – 704 in 2010 compared to 514 in 2009.

### **OPERATIONS**

#### **MAJOR ISLANDS**

##### **ABACO**

##### **1) Samson Street – Mains Renewal**

There was an existing 2-inch thin walled PVC pipe located on this street which experienced a high rate of pipe burst resulting in numerous complaints of low pressure. The control valve that supplies this street was throttled in an attempt to reduce the number of leaks until a renewal exercise could be implemented. The scope of work entailed the laying of 1,060 feet of 2-inch PVC pipe along with 6 connections.

##### **2) Little Grand Cay – Installation of RO Plant**

The North Abaco Power and Light Company LTD. (NAPELCO) entered into a Franchise Agreement with the Bahamas Government to provide Little Grand Cay (LGC) with desalinated water. The plant, which is located on Seahorse Cay, became operational in March, 1996 and service to Little Grand Cay began in June 1996. After approximately 14 years of service NAPELCO gave notice to WSC that the term of the Agreement expired January 1, 2011, and that NAPELCO had no intention on renewing the Agreement. Approval was granted by Government for Watermakers to install a new 22,000 US gallons per day RO plant on Little Grand Cay. The RO plant was installed on LGC and is in operation.

##### **3) Spring City Transmission Main – Mains Extension**

The Ministry of Housing (M.O.H.) Subdivision in Spring City was supplied by a small pumping station in Spring City and challenged to meet the growing demand. There were

numerous complaints received of low pressure during peak demand hours. The M.O.H. paid the cost of installation of a transmission main to supply the new subdivision from the Marsh Harbour station. The transmission main was completed and an improvement in supply was seen. The scope of works included the installation of 15,360 feet of 10-inch PVC main.

#### **4) Central Pines Phase II – Mains installation**

The installation of a distribution system to serve this Government Subdivision was contracted out to Apex Construction Company (ACC). The work was never completed by ACC and MOH requested that the WSC complete and test the existing mains to provide the completed homes with a supply. The outstanding works were completed and tested and is now in service.

#### **5) Green Turtle Cay (GTC) – Installation of New Water Supply (Partially Completed)**

Approval was granted by Government to install a distribution system along with a pumping station on GTC. The installation of the distribution system was phased with phase 1 addressing the underwater main, pumping station (with storage tank) and distribution network for New Plymouth settlement. Connections are being made in New Plymouth. Phase 2 addresses the outer settlements and the upgrade to the existing Treasure Cay Pumping Station and construction is in progress.

### **ELEUTHERA**

#### **1) Gardiner's Subdivision – Mains Extension /Renewal**

A subdivision off of the main road in Governor's Harbour near the Water and Sewerage Office was given approval to be paved. Several years ago, the distribution main was extended down this road by approximately 800 feet. A further extension of approximately 1,800 ft was planned but primarily due to financial issues, it was shelved but subsequently included in the Eleuthera Project. This extension serviced customers beyond the 4" line who were supplied with water through a surface laid ¾" polyethylene pipe which provided inadequate pressure and was susceptible to damage. This scope of work included the laying of 1,800 feet of 4-inch PVC pipe with 26 connections.

#### **2) Bank's Road- Mains Renewal**

The Banks Road south of the Unique Hotel recently experienced an increase in development with the construction of several homes and a small hotel. There was a small 1-inch and 2-inch main that supplied this area and was inadequate to meet the demand. The Government implemented a road improvement project for this street and approval was granted to replace the existing mains with a 6-inch PVC main. The scope of work consisted of the laying of 10,600 feet of 6-inch PVC main with 30 service connections.

### **MINOR ISLANDS**

#### **CROOKED ISLAND**

The construction of the new tank platform was completed in order to replace an old deteriorated platform structure and to accommodate a new 2,000 gallon storage tank and an existing 2,000 gallon storage tank.

#### **CAT ISLAND**

A new northern wellfield constructed to improve the operation efficiency on Cat Island and to mitigate the wear and tear on the tanker truck in service was substantially completed.





### **RAGGED ISLAND**

As a part of the road paving exercise in Duncan Town, a new distribution system (approximately, 5000 ft of 6-inch and 6700 ft of 4-inch pipe) was installed. The project was substantially completed with the bacteriological testing of the mains being outstanding.

### **MAYAGUANA**

The Mayaguana Group offered to provide assistance and the heavy equipment needed to dig a supply pit within the existing wellfield so that an additional source is made available as existing bore holes are being inundated with tree roots. This work was done and the newly dug 12 ft x 20 ft pit now needs to be properly covered. This work is to be planned and executed as soon as possible. Additionally, local contractors have been invited to submit bids on the planned scope of works.

### **Conclusion**

There are a wide range of operational challenges that exists in the Family Islands. Among them is the need to upgrade many of the wellfields, storage facilities, provide adequate standby power, the reduction of non-revenue water (NRW), upgrade of old water mains and the need to extend the distribution system in several locations as outlined in the ***Family Island Capital Development Plan***.

It is acknowledged that much of the needed work requires funding and in most cases capital funding must be provided by Central Government. It should be noted that without the upgrade of the Family Island infrastructure an increasing cost will be realized over time.

## **COMMERCIAL OPERATIONS DIVISION**

The Customer accounting and management is the direct responsibility of the Commercial Operations Division. Although primarily responsible for New Providence activities and billing for both NP and FI, the Division continued to provide on-going feedback with Family Island Division, who is directly responsible for all Family Island commercial operation activities.

The Division is also the primary advocate for ensuring that we remain committed to the Corporate Mission *"To the transformation of the Corporation into an efficient, customer focused organization that provides quality service and enjoys a reputation of consistently high performance."* The trust of the Division remains its C.H.A.R.M. – U approach to Customer Handling and Response Management in the satisfaction of both our internal and external customers.

### **ACHIEVEMENTS FOR 2010**

#### **COLLECTIONS**

- Despite the local economic challenges, our Collections Team increased collections by \$0.70 million during 2010, compared to Y-T-D Collections for 2009.
  - i. \$34.7 Million – 2010 Collections
  - ii. \$34.0 Million – 2009 Collections
  - iii. \$38.5 Million – 2008 Collections
- Bill payment services continued to be available from 10:00 a.m. to 4:00 p.m on Saturdays, at Marathon Mall Paystation, located in BTC's Office.
- Our overall Collection Efficiency stood at 104.0% vs. 97.5% for 2009.
- Payments received from Central Government totaled \$5.3 million for 2010, compared to \$4.4 million for 2009.
- Payments from non-Government customers totaled \$26.1 million compared to \$26.4 million during 2009.

#### **FIELD SERVICES**

- The Corporation continues to utilize electronic meter reading in both New Providence and Family Island Meters read were:
  - i. 169,176 – for 2010
  - ii. 107,096 – for 2009
  - iii. 154,605 – for 2008
- 15,257 accounts were disconnected for non-payment, whilst 64% were reconnected, following receipt of payment.
- 3,857 - Meters raised/relocated/changed in 2010, compared to 3,545 in 2009.

#### **BILLING**

- 218,905 bills, valued at \$32.8 million were issued in New Providence (NP), whilst 70,423 bills, valued at \$6.1 million were issued for Family Islands (FI).

#### **WATER SALES**

- Water Sales for NP totaled 1,918.9 MIG, with water sales revenue of \$30.7 million. A slight



increase in sales volume when compared to 1,883.2 MIG and valued at \$29.7 million, was recorded.

- The Corporation continued to record a decline in water sales to major hotels, with a take or pay agreement between South Ocean property and WSC, in particular, being suspended due to the closure of that property.
- The average selling price of \$15.99 was recorded for water in NP.

### **CUSTOMER RELATIONS**

- During 2010, 878 new connection applications were received, and 917 actual connections made. This reflected a reduction of 403 in comparison to our 2009 figures of 1,181 new water connections received.
- In 2010, 125 new sewer applications were submitted, compared to 252 during 2009. A total of 169 actual sewer connections were made during the year (unpaid connections application for 2009 were completed during 2010).
- Change of ownerships were made on 464 accounts.
- Our Senior Citizens Register stood at 1,375 customers.
- 9,220 customers were recorded as visiting our Customer Relations area.

### **DELINQUENCY PROCESSING**

- 2,118 accounts, valued at \$3.6 million, were assigned to our Collection Agency.
- 1,375 Accounts, valued at \$2.8 million, were assigned to our Collection Attorney.
- \$0.40 million was collected during 2010, by our Collection Agency, compared to \$0.3 million by our Collection Attorney.
- 1,408 Accounts, valued at \$1.80 million was written off .

### **CALL CENTRE**

- Calls handled totaled 72,933.
- Our overall service level was reported at 77.63%.
- 9,088 work orders were opened.
- 30,192 work orders were closed.

### **CUSTOMER COMMUNICATIONS & COMPLAINT**

- 238 written complaints were received.
- 813 walk-in complaints were processed.
- 1,458 leak rebates were processed totaling \$0.03 million.
- 883 filters were issued to customers experiencing water quality challenges.
- 2,843 work orders were generated.
- 2,368 work orders were -off of balances deemed uncollectible thru in-house review and/or adjudicated as such by the courts.

### **OTHER SIGNIFICANT STATISTICS**

- A total of 84,728 customers were recorded as at December 31, 2010.
- 22,508 Customers in the Family Islands.



- 62,220 Customers on record for NP.
- 653 Sewer Accounts – Abaco.
- 11,208 Sewer Accounts in New Providence.
- 1,440 Government Accounts, with 866 in NP and **574** in Family Islands.
- During **1,163** accounts were terminated and rendered final/closed – 962 in NP and 201 in Family Islands.

The Division is appreciative of the contribution of all of its seventy-seven (77) Team members, and their commitment to the organization, and its internal and external customers. Each Team plays a pivotal role in the advancement of customer service, and in the overall achievement of Divisional goals and objectives, all in an effort to wow the customer, the first time. Although a challenging year for all, we are thankful for the collective achievements via the contribution of all. We also express our profound appreciation for the support received from our Corporate Teams in Finance, Human Resources, Family Islands, Engineering & Planning, but most significantly, our partners in New Providence Operations (NPO) Division. We say thank you!

We are committed to:

- **GROWTH**
- **QUALITY**



## HUMAN RESOURCES DIVISION

The staff count at year-end 2010 stood at **457** (359 permanent staff & 98 contract workers). With a freeze on hiring of full-time permanent staff the Corporation mainly focused on the employment of clerical and operational interns on term contracts to assist with key functional responsibilities throughout New Providence and the Family Islands.

In January 2010 the Human Resources Division was granted permission to manage a project in respect to Pension in collaboration with a US based actuarial firm which will be completed by 2nd Quarter, 2011. The primary objective of the actuarial consultancy includes but is not limited to the consideration of a contributory pension scheme coupled with options for early retirement, retirement on the basis of ill-health and other enhancements.

Two 3 year contracts (2007 – 2010 and 2010 – 2013) were concluded, signed and registered with both the Department of Labour and the Industrial Tribunal.

Faced with dire financial challenges, the Training Department conducted twenty-six (26) in-house courses and impacted two hundred and seven (207) employees. Additionally, forty eight (48) employees attended external courses that were fully funded by the Corporation. There were some nine (9) employees who attended International (overseas) courses or conferences during the year. The Corporation also assisted four (4) employees pursuing first degrees and continued its sponsorship of the Technical Cadet Corps Programme and the award of scholarships tenable at the college of the Bahamas to deserving cadets.



**Mr. Glen Laville, GM,**  
a 24-year veteran employee of the Water and Sewerage Corporation, became the new General Manager of the WGSC on November 16, 2010.



## INTERNAL CONTROL & COMPLIANCE, WATER QUALITY & SAFETY DIVISION

The Internal Audit Department focused heavily this year on the review of Family Island financial operations to help ensure that standard Corporation policies and procedures were being followed. This is increasingly important as these areas are growing in volume of business and revenues generated.

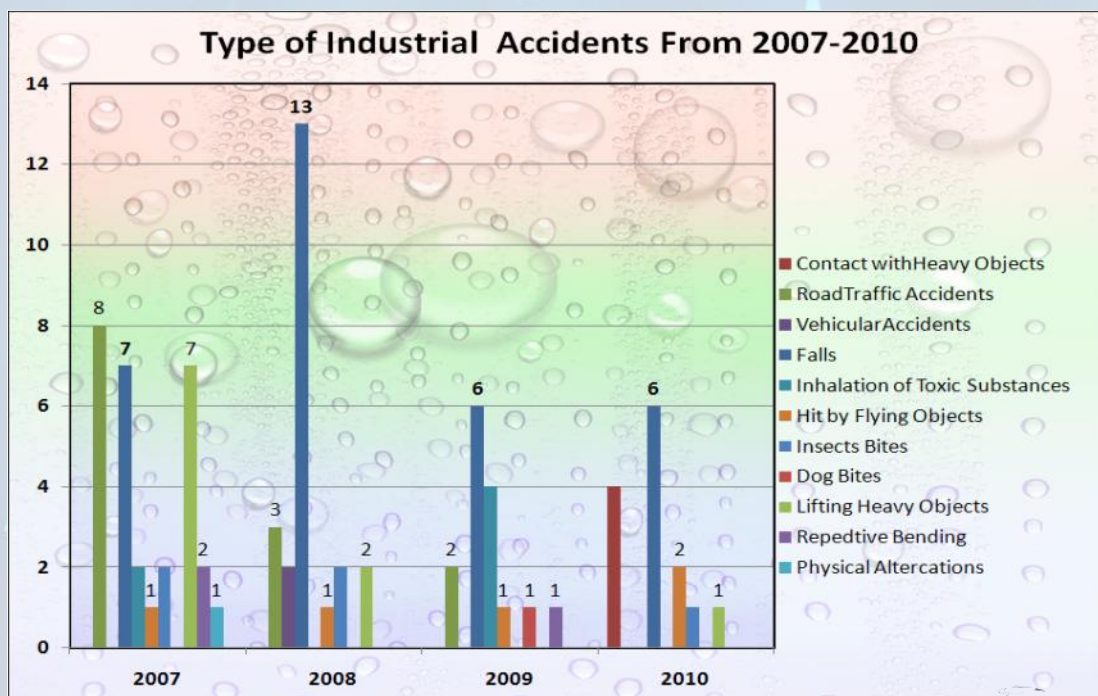
One major project being carried out is the development of a Comprehensive Policy and Procedure Manual in conjunction with consultants Castalia Strategic Advisors. This is in response to an issue raised in the Corporation's external audit Management Letter. This project is scheduled for an early 2011 completion.

### **Safety and Environment Department**

The numbers indicate that Industrial accidents are on the decrease within the Corporation. There are a number of factors that contribute to the final result, they are listed as follows:

- Employees proper use of Personal Protective Equipment (PPE).
- Supervisor/Employee proper pre-planning of work i.e. **Confined Space Entry**
- Employees' training behavior adjustment while at work (in relation to long workday some accidents may occur when employees tend not to follow proper procedures and due diligence).

The chart below indicates the type of Industrial Accidents affecting workers at the Corporation between 2007 and 2010. "Falls" are responsible for the majority of accidents. Moving forward, the Safety and Environment Department will pursue a behavior-based safety program, which will assist in accident reduction across the board.





## Water Quality Department

The **Water Quality Unit** continued its program of water quality monitoring to ensure compliance with World Health Organization (WHO) standards; thus helping to ensure the best quality water being delivered to our consumers.

Below are Tables showing *significant figures for rainfall and water quality* for the island of New Providence.

**TABLE A: SIGNIFICANT FIGURES—RAINFALL**

Rainfall recorded at the Lynden O. Pindling International Airport: 2001—2010 Period

MONTH	30 Year Average (1971-2000)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
January	1.86	0.53	1.64	2.26	1.06	1.01	0.93	1.30	1.52	2.31	2.87
February	1.93	3.63	0.48	1.54	3.06	2.36	0.45	2.13	1.64	1.79	0.78
March	2.14	1.39	1.56	0.49	2.11	0.84	1.40	0.21	4.10	2.28	6.31
April	2.73	3.36	0.35	0.78	4.48	1.65	3.02	0.66	1.46	1.10	1.84
May	4.13	2.97	13.66	1.63	5.97	6.29	2.20	1.18	4.27	10.24	5.42
June	8.62	2.85	9.94	4.33	16.70	5.74	9.19	7.14	5.60	12.95	12.38
July	6.33	7.70	3.66	6.95	1.91	6.97	2.12	13.56	3.53	3.29	6.39
August	9.27	8.02	3.94	9.63	3.29	8.29	11.79	9.89	5.22	8.01	5.64
September	6.42	7.53	7.88	9.04	8.90	7.92	6.03	7.43	6.56	9.39	8.85
October	6.42	7.64	0.64	2.67	9.21	4.77	7.80	0.64	2.10	6.57	5.54
November	3.17	1.86	1.84	1.93	2.02	2.40	1.89	0.10	5.40	2.38	13.27
December	1.97	2.27	2.04	3.70	1.68	2.09	0.49	0.00	1.77	0.11	2.62
TOTAL	54.99	49.75	47.65	44.95	60.39	50.33	47.32	44.24	43.17	60.42	71.91
% of 30 Year Average		90.5	86.7	81.7	109.8	91.5	86.1	80.5	78.5	109.9	130.8

*Table A compares rainfall over the past ten years on monthly and annual basis; the 2010 YTD Total is below the 30-year average by 5.24 inches. Insufficient amounts of rainfall has impacted significantly on availability of water for groundwater lens recharge and/or recovery. Thus, for most of the year, the majority of New Providence wellfield sources were shut-down due to existing poor water and to prevent further deterioration of the water lenses.*





**TABLE B: SIGNIFICANT FIGURES: WATER QUALITY**  
**NEW PROVIDENCE PUMPING STATION, AVERAGE FOR YEAR 2010**

WATER QUALITY PARAMETERS	World Health Guidelines	WINDSOR STATION	BLUE HILLS STATION	BLUE HILLS HIGH LEVEL	WINTON STATION	FORT FINCASTLE STATION	ARAWAK CAY STATION	PROSPECT STATION
Total No. Of Samples:		52	52	52	52	52	52	52
<b>PHYSICAL ANALYSIS:</b>								
Appearance	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR	CLEAR
Odor	NOT OFFENSIVE	NIL	NIL	NIL	NIL	NIL	NIL	NIL
pH (Units 6.5 - 8.5)	6.5 - 8.5 pH units	7.6	7.9	7.9	7.9	7.8	7.9	7.5
Temperature (field) @C	NO SPECIFIC STANDARD However, 25 C is desirable	25.2	27.8	27.5	27.9	26.8	26.2	24.3
True Color Unit (Pt/Co)	15	2	2	3	3	2	2	3
Turbidity (NTU)	5	0.7	0.5	0.6	0.6	0.5	0.5	1.2
<b>CHEMICAL ANALYSIS:</b>								
Anions: Bicarbonate (mg/l) <sup>^</sup>	No specific Standard	71	39	38	32	174	176	52
Chloride (mg/l) <sup>^</sup>	250 (WHO '83) 600 (WHO '71)	317	301	305	304	622	635	262
Fluoride (mg/l)	1.5	0.25	0.04	0.04	0.03	0.21	0.22	0.09
Nitrate (mg/l)	50 as NO3	0.61	0.26	0.35	0.38	0.87	0.95	0.59
Phosphate (mg/l)	No specific standard Preferably < 0.5 mg/l	0.15	0.08	0.09	0.08	0.08	0.11	0.08
Sulphate (mg/l)	250	33	11	10	10	66	69	25
Cations: Calcium (mg/l)	250 (I.K.) (As an annual average)	79	38	37	33	205	211	61
Iron (mg/l)	0.3	0.0	0.0	0.2	0.4	0.0	0.0	0.1
Magnesium (mg/l) <sup>^</sup>	50 (I.K.) (As an annual average)	16	5	5	5	27	28	12
Potassium (mg/l) <sup>^</sup>	12 (E.E.C.)	7	6	6	6	13	13	5
Sodium (mg/l) <sup>^</sup>	200	181	172	174	173	355	362	150
Residual Chlorine(mg/l)	No specific standard. 0.2 ppm required for disinfection	2.1	2.0	1.8	1.5	1.5	1.6	1.7
Residual Chlorine (% time Present)	No specific Standard	98	100	96	96	94	94	92
Conductivity (umhos/cm) field	1,500 (I.K.) (As an annual average)	1,068	970	977	970	2,044	2,064	862
TDS concentration (mg/l) <sup>^</sup>	1,000	633	536	542	537	1,294	1,323	516
Alkalinity (mg/l)	No specific Standard	58	32	32	26	143	144	42
Total Hardness (mg/l CaCO3)	should not exceed 500	142	58	58	55	317	327	110
<b>MICROBIOLOGICAL ANALYSIS:</b>								
COLIFORMS: Total (% time absent)	0 per 100 ml in 95% of samples	98	100	98	100	100	94	94
COLIFORMS: Faecal (% time absent)	0 per 100 ml in all samples	100	100	100	100	100	98	98
Faecal Streptococcus (% time absent)	0 per 100 ml in all samples (I.K.)	100	100	100	100	100	100	100
Yeast (% < 500 CFU/100ml)	< 500 CFU/ml. Results compared against long-term average. Significant differences investigated. (I.K.)	100	100	100	100	100	100	98
Mold (% < 500 CFU/100ml)		100	100	100	100	100	100	100
Total Bacteria (% < 500 CFU/100ml)		100	100	100	100	100	98	100
<b>WATER CHARACTERISTICS:</b>								
Langelier Saturation Index (LSI):	-0.5 < L.I. < +0.5 (AWWA)	-0.54	-0.75	-0.78	-0.90	0.65	0.69	-0.87
Corrosive Tendency:		highly aggressive (serious corrosion)	highly aggressive (serious corrosion)	highly aggressive (serious corrosion)	highly aggressive (serious corrosion)	Non-aggressive (scale-forming)	Non-aggressive (scale-forming)	highly aggressive (serious corrosion)

**KEY:**

CFU - colony forming units  
 TNTC - too numerous to count

N/A - Not Available  
<sup>^</sup> - Calculated Value

mg/l - Milligrams per liter  
 NTU - Nephelometric Turbidity Unit

**REMARKS:**

Pumping Stations met disinfection water quality requirements 95.8% of the time, down 1.7% compared to 2009. Overall microbiological standards were met for both total coliform and faecal coliform (e. coli) bacteria at 97.8% and 99.5% respectively. This represents no appreciable change in microbiological water quality when compared with last year's figures for total and faecal coliforms. Chloride (salinity) content was generally higher this year at all sites. The negative LSI's of the R/O Plant sources adversely impact the aesthetic water quality in the Distribution System due to the corrosive characteristics of the water on the pipes.

Michael Swann  
 Sr. Manager  
 Water Quality Unit







# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENT

The integrity and objectivity of the data in the accompanying Financial Statements including informed estimates and judgments relating to matters not conclude by yearend are the responsibility of Management, as is all other information contained in the Annual Report unless indicated otherwise. To this end, Management maintains a highly developed system of internal control to provide reasonable assurance, on a cost effective basis, that the Corporation's assets are protected and events recorded properly.

PKF Chartered Accountants have examined these Financial Statements which have been prepared in conformity with the generally accepted accounting principles and their report follows.

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GLEN F. LAVILLE  
GENERAL MANAGER

---

SANDRA B. EDGECOMBE  
DEPUTY GENERAL MANGER/CFO

**WATER AND SEWERAGE CORPORATION**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**

**PKF**

WATER & SEWERAGE CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2010



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7	Statement of Changes in Equity
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9 - 34	Notes to the Financial Statements

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Water and Sewerage Corporation**

We have audited the accompanying financial statements of **Water and Sewerage Corporation**, which comprise the statement of financial position as at December 31, 2010, the statements of comprehensive income/(loss), changes in equity and the cashflow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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Nassau | New Providence | Bahamas

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*Auditors' Responsibility (Continued)*

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


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

*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Water and Sewerage Corporation** as of December 31, 2010 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our report, we draw your attention to Note 13 regarding the continued operations of the Corporation. With a net current liability of \$73,059,535 at December 31, 2010, the Corporation's continuance and ability to meet its obligations are dependent on the Bahamas Government's funding of its operations.



July 8, 2011  
Nassau, Bahamas



# WATER AND SEWERAGE CORPORATION

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(Expressed in Bahamian Dollars)



PKF

	Notes	2010	2009
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>	5	<u>243,406,580</u>	<u>189,224,217</u>
<b>CURRENT ASSETS</b>			
Cash and bank balances		1,033,343	567,305
Accounts receivable	6	7,511,805	4,833,250
Materials and supplies		1,519,599	1,595,068
Prepaid expenses and deposits		<u>109,584</u>	<u>89,573</u>
		<u>10,174,331</u>	<u>7,085,196</u>
<b>CURRENT LIABILITIES</b>			
Bank overdraft	7	4,250,816	2,712,242
Accounts payable and accrued liabilities	8	74,259,767	68,737,616
Customers' deposits		4,132,537	4,086,957
Current portion of long-term debt	9	<u>590,746</u>	<u>585,555</u>
		<u>83,233,866</u>	<u>76,122,370</u>
<b>NET CURRENT LIABILITIES</b>		<b>(73,059,535)</b>	<b>(69,037,174)</b>
<b>LONG-TERM DEBT - Non Current Portion</b>	9	<u>(6,524,446)</u>	<u>(7,123,826)</u>
<b>NET ASSETS</b>		<u><b>\$ 163,822,599</b></u>	<u><b>\$ 113,063,217</b></u>
<b>EQUITY (Page 7)</b>		<u><b>\$ 163,822,599</b></u>	<u><b>\$ 113,063,217</b></u>

Approved by the Board of Directors and authorized for issuance on July 8, 2011:

Chairman

Board Member

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



**WATER AND SEWERAGE CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**



(Expressed in Bahamian Dollars)

PKF

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUE</b>			
Water		37,434,103	37,291,500
Sewerage		4,018,655	4,729,591
		<u>41,452,758</u>	<u>42,021,091</u>
<b>OPERATING EXPENSES</b>	11		
Water		39,410,914	37,414,478
Sewerage		1,978,528	1,757,953
General and administrative		13,443,533	13,289,736
		<u>54,832,975</u>	<u>52,462,167</u>
<b>Loss from operations before depreciation</b>		<b>(13,380,217)</b>	<b>(10,441,076)</b>
Depreciation	5,12	(12,649,702)	(8,269,241)
<b>OPERATING LOSS</b>		<b>(26,029,919)</b>	<b>(18,710,317)</b>
Other income		22,899	8,759
Miscellaneous income		726,121	498,367
Amortization of deferred income		2,843,180	1,830,035
Net foreign exchange loss		(10,889)	(9,861)
Finance charges	14	(4,953,134)	(5,138,854)
<b>Net loss before government subsidy</b>		<b>(27,401,742)</b>	<b>(21,521,871)</b>
Government subsidy	13	24,335,000	27,897,568
<b>NET OPERATING (LOSS)/PROFIT</b>		<b>(3,066,742)</b>	<b>6,375,697</b>
<b>Other comprehensive income/(loss):</b>			
Valuation adjustment	5,21	50,646,099	-
Actuarial loss on defined benefit plan		(335,100)	(433,100)
		50,310,999	(433,100)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>\$ 47,244,258</b>	<b>\$ 5,942,597</b>

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

WATER AND SEWERAGE CORPORATION  
NEW PROVIDENCE STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010



(Expressed in Bahamian Dollars)

PKF

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>OPERATING REVENUE</b>			
Water		31,089,395	31,022,853
Sewerage		<u>3,924,506</u>	<u>4,636,881</u>
		<u><b>35,013,901</b></u>	<u><b>35,659,734</b></u>
<b>OPERATING EXPENSES</b>			
Water		29,063,755	27,453,287
Sewerage		1,978,528	1,754,086
General and administrative		<u>9,825,822</u>	<u>9,720,588</u>
		<u><b>40,868,105</b></u>	<u><b>38,927,961</b></u>
<b>Loss from operations before depreciation</b>		<b>(5,854,204)</b>	<b>(3,268,227)</b>
Depreciation		<u>(9,504,944)</u>	<u>(6,776,978)</u>
<b>OPERATING LOSS</b>		<b>(15,359,148)</b>	<b>(10,045,205)</b>
Other income		22,899	8,759
Miscellaneous income		722,027	497,261
Amortization of deferred income		2,168,312	1,784,535
Net foreign exchange loss		(10,889)	(9,843)
Finance charges		<u>(4,812,045)</u>	<u>(5,000,814)</u>
<b>Net loss before government subsidy</b>		<b>(17,268,844)</b>	<b>(12,765,307)</b>
Government subsidy	13	<u>17,810,000</u>	<u>21,373,856</u>
<b>NET OPERATING PROFIT</b>		<b>541,156</b>	<b>8,608,549</b>
<b>Other comprehensive income/(loss):</b>			
Valuation adjustment	5,21	28,735,753	-
Actuarial loss on defined benefit plan		<u>(278,133)</u>	<u>(358,607)</u>
		28,457,620	(358,607)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>\$ 28,998,776</b></u>	<u><b>\$ 8,249,942</b></u>

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



WATER AND SEWERAGE CORPORATION  
FAMILY ISLANDS STATEMENT OF COMPREHENSIVE INCOME/(LOSS)  
FOR THE YEAR ENDED DECEMBER 31, 2010



(Expressed in Bahamian Dollars)

	Notes	2010	2009
<b>OPERATING REVENUE</b>			
Water		6,344,708	6,268,651
Sewerage		94,149	92,710
		<u>6,438,857</u>	<u>6,361,361</u>
<b>OPERATING EXPENSES</b>			
Water		10,347,159	9,961,191
Sewerage		-	3,867
General and administrative		3,617,711	3,569,148
		<u>13,964,870</u>	<u>13,534,206</u>
<b>Loss from operations before depreciation</b>		<b>(7,526,013)</b>	<b>(7,172,845)</b>
Depreciation		(3,144,758)	(1,492,263)
<b>OPERATING LOSS</b>		<b>(10,670,771)</b>	<b>(8,665,108)</b>
Miscellaneous income		4,094	1,106
Amortization of deferred income		674,868	45,500
Net foreign exchange loss		-	(18)
Finance charges		(141,089)	(138,040)
<b>Net loss before government subsidy</b>		<b>(10,132,898)</b>	<b>(8,756,560)</b>
Government subsidy	13	6,525,000	6,523,712
<b>NET OPERATING LOSS</b>		<b>(3,607,898)</b>	<b>(2,232,848)</b>
<b>Other comprehensive income/(loss):</b>			
Valuation adjustment	5,21	21,910,346	-
Actuarial loss on defined benefit plan		(56,967)	(74,493)
		<u>21,853,379</u>	<u>(74,493)</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>			
<b>FOR THE YEAR</b>		<b>\$ 18,245,481</b>	<b>\$ (2,307,341)</b>

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



WATER AND SEWERAGE CORPORATION  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Expressed in Bahamian Dollars)



PKF

	(Note 10) Equity contributions	Accumulated deficit	(Note 21) Valuation adjustment	Deferred income	Total equity
Balance at January 1, 2009	144,807,965	(82,042,291)	-	40,706,160	103,471,834
Contributions (Note 10)	2,115,057	-	-	-	2,115,057
Distributions (Note 10)	(1,680,952)	-	-	-	(1,680,952)
Net operating profit	-	6,375,697	-	-	6,375,697
Other comprehensive loss for the year (Page 4)	-	(433,100)	-	-	(433,100)
Contribution to projects completed during the year	-	-	-	3,775,551	3,775,551
Third party infrastructure capitalized	-	-	-	1,269,165	1,269,165
Amortization of deferred income	-	-	-	(1,830,035)	(1,830,035)
Balance at December 31, 2009	145,242,070	(76,099,694)	-	43,920,841	113,063,217
Contributions (Note 10)	3,217,613	-	-	-	3,217,613
Distributions (Note 10)	(1,803,663)	-	-	-	(1,803,663)
Net operating loss	-	(3,066,742)	-	-	(3,066,742)
Other comprehensive income/(loss) for the year (Page 4)	-	(335,100)	50,646,099	-	50,310,999
Contributions to projects completed during the year (Note 8)	-	-	-	1,064,756	1,064,756
Third party infrastructure capitalized	-	-	-	3,879,599	3,879,599
Amortization of deferred income	-	-	(1,447,031)	(1,396,149)	(2,843,180)
Balance at December 31, 2010	<u>\$ 146,656,020</u>	<u>\$ (79,501,536)</u>	<u>\$ 49,199,068</u>	<u>\$ 47,469,047</u>	<u>\$ 163,822,599</u>

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

**WATER AND SEWERAGE CORPORATION**  
**CASHFLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(Expressed in Bahamian Dollars)**



	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Total comprehensive income for the year		47,244,258	5,942,597
Non-cash items:			
Depreciation	5	12,649,702	8,269,241
Amortization of deferred income (Page 7)		(2,843,180)	(1,830,035)
Increase/(decrease) in non-cash operating working capital		2,944,634	(2,604,949)
<b>Net cash provided by operating activities</b>		<b>59,995,414</b>	<b>9,776,854</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of long-term debt		(594,189)	(489,482)
Contributions to capital projects		1,064,756	3,775,551
Equity contributions	10	3,217,613	2,115,057
Equity distributions	10	(1,803,663)	(1,680,952)
Transfer of third party infrastructure (Page 7)		3,879,599	1,269,165
<b>Net cash provided by financing activities</b>		<b>5,764,116</b>	<b>4,989,339</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property, plant & equipment	5	(16,185,966)	(12,155,050)
Valuation adjustment	21	(50,646,099)	-
<b>Net cash used in investing activities</b>		<b>(66,832,065)</b>	<b>(12,155,050)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES</b>		<b>(1,072,536)</b>	<b>2,611,142</b>
Net cash and bank balances, beginning of year		(2,144,937)	(4,756,080)
<b>Net cash and bank balances, end of year</b>		<b>\$ (3,217,473)</b>	<b>\$ (2,144,937)</b>
<b>Net cash and bank balances are represented by:</b>			
Cash at bank		1,033,343	567,305
Bank overdraft		(4,250,816)	(2,712,242)
		<b>\$ (3,217,473)</b>	<b>\$ (2,144,937)</b>

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



**WATER AND SEWERAGE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**



**1. ORGANIZATION**

The Corporation, which was established by the Water and Sewerage Corporation Act of 1976, is wholly owned by the Government of The Bahamas (the Government). Its primary functions are to grant and control water rights; to protect water resources; to regulate the extraction, use and supply of water; to dispose of sewerage; and to perform other ancillary functions throughout New Providence and the Family Islands. The Corporation's main place of business is 87 Thompson Boulevard, Nassau, Bahamas. The number of employees at December 31, 2010 was 457 (438 in 2009).

**2. BASIS OF PREPARATION**

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

These financial statements are expressed in Bahamian dollars, which is the Corporation's functional currency.

**(a) Use of estimates and judgement**

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 4.

**(b) Adoption of standards effective in 2010**

- IAS 1 (Revised) Presentation of financial statements.
- IFRS 7 (Amendment) Financial instruments: Disclosures.
- IAS 39 and IFRS 7 (Amendment) Reclassification of financial instruments.



WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010



**2. BASIS OF PREPARATION (Continued)**

**(c) IFRS effective in 2010 but not relevant**

The following amendments were mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the operations of the Corporation.

- IFRS 8 Operating Segments
- IAS 23 (Amendment) Borrowing Costs
- IFRS 2 (Amendment) Share based payments
- IAS 27 (Amendment) Consolidated and separate financial statements
- IAS 39 and IFRIC 9 (Amendment) Reclassification of financial instruments
- IFRIC 13 Customer loyalty programs
- IFRIC 15 Agreements for the construction of real estate

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies adopted in order to assist in the general understanding of the financial statements are as follows:

**(a) Recognition of revenue**

Revenue comprises sales and services to external customers. Consideration received from customers is only recorded as revenue to the extent that the Corporation has performed its contractual obligations in respect to that consideration.

**(b) Materials and supplies**

Materials and supplies are valued at the lower of average cost and replacement cost, net of an allowance for obsolescence.

**(c) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset.

WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant & equipment and depreciation

The establishing Act (1976) states that all water and sewerage installations, within the area of control and administration of the Corporation, which were the property of the Government, or were vested for or on behalf of the Government, shall be deemed to have been transferred to, and shall vest in the Corporation. This includes substantial land holdings comprised of land owned by the Corporation, leased from the Crown or others, or used by the Corporation for water supply purposes. Continued use or disposal of these land-holdings is subject to government's mandates therefore these land-holdings have been recorded in the Corporation's financials statements at \$1.

Prior to January 1, 2007, assets constructed by the Government or private subdivision developers and transferred to the Corporation upon completion were not recorded in property, plant and equipment. A review was conducted as at December 31, 2010 by an independent value to inventory and value these assets, and reclassify certain other assets to align with operations. The results of the valuation are disclosed in Notes 5 and 21.

Depreciation of property, plant & equipment is calculated on the straight-line method, which is further described in Note 4(a), over the estimated useful lives of the respective assets as follows:

	Life (years)
Buildings	40
Dock installations	40
Harbour improvements	40
Transmission and distribution mains	40
Sewer collection systems and mains	40
Sewer connections	40
Storage tanks and reservoirs	30
Wellfields	25
Water pumping stations	20
Sewer pumping stations	20
Sewer treatment plants	20
Water service lines	15
Customer meters	10
Garage plant and equipment	10
Automotive equipment	5
Other equipment	5

**Work in progress is included in total property, plant & equipment and includes the following:**

Materials, supplies and other expenditures, valued at cost;  
Direct labour, valued at cost plus an allocated amount for labour overhead recovery;  
Indirect labour, valued at an allocated amount on an equitable basis;

Interest expense, valued at cost, where incurred in relation to the financing of work in progress having a construction period in excess of 6 months.

On substantial completion, 95% or more, work in progress is transferred to the appropriate category of property, plant & equipment.

When composite depreciation is used, as described in Note 4, no gains or losses are recorded on retirements. Gains or losses on disposals are included in the statement of comprehensive income.



WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010



3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Impairment of assets**

Depreciable assets are reviewed for impairment whenever events or operational changes indicate that the carrying value is higher than the asset's estimated net recoverable amount or value in use.

**(f) Deferred income**

The Corporation requires new subdivision developers to pay a proportional impact fee that is set aside to defray future infrastructural costs associated with adding new customers. Prior to January 1, 2007 impact fees were recorded as revenue upon receipt. This deferred revenue is amortized over 25 years.

Effective January 1, 2007 the Corporation commenced recording of all developer constructed works upon transfer, at a value determined from design estimates or third party valuations. The value of developer constructed and financed infrastructure is captured in deferred income, and is being amortized on a straight line basis over 35 years. (See note 4(b) for further disclosure).

**(g) Contributions to capital projects**

The Corporation requires contributions from customers to assist in defraying the capital cost of certain improvements and new services for the customers' specific use. The capital cost of such projects is included in property, plant & equipment.

Contributions in respect of incomplete projects are carried forward as accounts payable. Contributions in respect of completed projects are credited to deferred income and amortised to income over the estimated average useful life of the assets.

**(h) Retirement benefit costs**

The Corporation operates a defined benefit non-contributory retirement benefit plan covering substantially all full-time employees. The cost of providing such benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each statement of financial position date. Actuarial gains and losses which exceed 10% of the greater of the present value of the Corporation's pension obligations and the fair value of the plan's assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the amended benefits become vested.

The amount recognized in the statement of financial position represents the present value of the defined benefits obligation as adjusted for the unrecognized actuarial gains and losses and unrecognized past service costs, and reduced by the fair value of plan assets.



WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Financial instruments**

Financial instruments are classified into the following categories: "Fair Value Through Profit or Loss" (FVTPL); "Held-To-Maturity"; "Available-For-Sale" (AFS); and Loans and Receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Corporation classifies financial instruments, or their component parts, on initial recognition as a financial asset, or a financial liability in accordance with the substance of the contractual arrangement.

Financial instruments are recognized on trade date when the Corporation becomes a party to the contractual provisions of the instrument. Financial instruments are recognized initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are derecognized on trade date when the Corporation is no longer a party to the contractual provisions of the instrument.

**Accounts receivable**

Receivables are stated at their original invoiced value, as the interest that would be recognized from discounting future cash receipts over the short credit period is not considered to be material. Receivables are reduced by appropriate allowances for estimated recoverable amounts.

Losses for impaired accounts receivable are recognized immediately when there is objective evidence that impairment has occurred. Statistical methods are used to assess losses for impairment on a collective basis, factoring historical loss experience on groups of accounts and categories of services, and taking into account management's judgement regarding economic factors that might affect collection.

**Accounts payable**

Payables are stated at their original invoiced value, as the interest that would be recognized from discounting future cash payments over the short payment period is not considered to be material.



WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial instruments (Continued)

**Interest bearing borrowings**

Interest-bearing borrowings are stated at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

**Cash and bank balances**

Cash and bank balances comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**Key sources of estimation uncertainty**

- (a) Property, plant and equipment - Depreciation rates are periodically reviewed to ensure that they continue to be representative of actual experience. Composite depreciation is computed for all categories except dock installations, harbor improvements, garage plant and equipment, automotive equipment, and other equipment.

It was determined during the valuation review described in Note 3(d) that the useful life of certain assets should be shortened to reflect local conditions and replacement trends. The effect of this reassessment, inclusive of those assets recorded in the valuation review, and assuming the assets are held until the end of their estimated useful lives, is to increase the depreciation expense in the current year and for the next three years, by the following numbers:

	\$
2010	3,371,421
2011	3,472,700
2012	3,576,900
2013	3,684,300

WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010



4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Internally generated assets - include apportionment of preliminary engineering costs, based upon projects completed during the year.

- (b) Deferred income - as a part of the valuation process management reviewed and aligned the amortisation rate applied to deferred income to the estimated useful life of privately developed infrastructure. During the financial year, it was determined that the amortization period should be increased from 25 to 35 years in keeping with the weighted average useful lives of the related assets. The effect of this reassessment resulted in a decreased amortization in the current year and for the next three years, by the following amounts:

	\$
2010	558,460
2011	575,300
2012	592,600
2013	610,400

- (c) Retirement benefit obligation – Refer to note 15 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.
- (d) Materials and supplies – The allowance for obsolescence is determined by examining stock movements over the year, coupled with the age and condition of certain items which, due to changes in technology, are retained principally for maintenance purposes.
- (e) Accounts receivable – Refer to notes 3(i) and 16(b) for disclosure of the key sources of estimation uncertainty relating to collectibility of receivables.



WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

5. PROPERTY, PLANT & EQUIPMENT

As at January 1, 2010 the cost of property, plant & equipment which were transferred to the Corporation by the Government at the date of incorporation and on July 1, 1989 was based on valuations made jointly by the Ministries of Finance and Works & Lands at transfer date, or original cost less depreciation. Subsequent additions to property, plant and equipment were stated at cost, which included overhead amounts capitalized in work-in-progress however, as stated in Note 3(d), the cost of certain property, plant and equipment constructed by the Government and third parties from incorporation to December 2009 had not been valued. The cost of this previously unvalued property, plant and equipment and related accumulated depreciation has been included in 2010, based upon valuations as at December 31, 2010 made by an independent valuer. This valuation included property, plant and equipment in the amount of \$228.2 million made up of \$169.7 million and \$58.5 million for New Providence and Family Islands respectively.

Cost	January 1 2010	Additions	Disposals	Valuation Additions	Valuation Disposals	Transfers	December 31 2010
Land and wellfields	5,400,068	24,028	-	-	(75,885)	-	5,348,211
Buildings	6,178,811	85,534	-	-	(1,175,995)	141,529	5,229,879
Dock installations	1,040,052	-	-	-	-	-	1,040,052
Harbour improvements	17,077,254	-	-	-	-	-	17,077,254
Water pumping stations	16,922,092	70,471	-	-	(15,705,197)	138,441	1,425,807
Sewer lift stations	4,302,312	806,526	-	56,483	(2,198,857)	2,120,000	5,086,464
Storage tanks and reservoirs	6,361,770	-	-	13,468,073	-	7,783	19,837,626
Transmission and distribution mains	144,743,951	1,354,903	-	37,261,023	(15,968,611)	12,129,670	179,520,936
Water service lines	17,670,887	199,664	-	11,148,433	-	4,177,366	33,196,350
Sewer collection system and mains	28,713,384	1,624,121	-	45,197,103	-	13,407,227	88,941,835
Sewer connections	-	178,447	-	2,117,819	-	2,106,288	4,402,554
Sewer treatment plants	6,443,917	175,000	-	109,430	(580,019)	3,211,251	9,359,579
Water meters	-	-	-	14,038,401	-	-	14,038,401
Office furniture and equipment	7,048,196	-	(175)	-	(896,260)	(7,048,021)	-
Garage plant and equipment	5,700,140	26,500	(2,381,496)	-	-	7,530,135	2,448,884
Other equipment	-	75,310	(139,752)	-	-	(101,274)	7,465,693
Waste control equipment	101,274	-	-	-	-	-	-
Training equipment	21,615	-	-	-	-	(21,615)	-
Radios	341,177	-	-	-	-	(341,177)	-
Automotive equipment	6,074,093	206,898	(19,990)	-	(3,389,748)	-	-
Consultancy fees	2,920,176	-	(2,920,176)	-	-	-	-
Third party infrastructure - water	10,170,151	-	-	-	-	-	2,871,253
Third party infrastructure - sewer	20,301,184	-	-	-	-	(10,170,151)	-
	307,532,504	4,827,402	(5,461,589)	123,396,765	(39,990,572)	(20,301,184)	397,290,778
Work-in-progress	4,772,418	11,358,564	-	-	-	6,986,268	9,144,714
Total	\$ 312,304,922	\$ 16,185,966	\$ (5,461,589)	\$ 123,396,765	\$ (39,990,572)	\$ -	\$ 406,435,492

(See Note 21)

(See Note 21)

WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

5. PROPERTY, PLANT & EQUIPMENT (Continued)

Accumulated depreciation	January 1 2010	Depreciation expense	Disposals	Valuation Adjustments	Valuation Disposals	December 31 2010
Land and wellfields	-	69,798	-	239,449	-	309,247
Buildings	1,224,051	132,195	-	772,429	(1,073,185)	1,055,490
Dock installations	1,040,052	-	-	-	-	1,040,052
Harbour improvements	10,481,195	450,714	-	-	-	10,931,909
Water pumping stations	17,283,049	34,408	-	2,599,927	(15,197,618)	4,719,766
Sewer lift stations	2,804,208	186,487	-	2,217,998	(2,198,857)	3,009,836
Storage tanks and reservoirs	2,763,155	418,333	-	9,028,300	-	12,209,788
Transmission and distribution mains	38,729,209	4,390,127	-	37,105,025	(15,968,611)	64,255,750
Water service lines	10,292,060	2,109,588	-	(437,171)	-	11,964,477
Sewer collection system and mains	13,590,851	2,208,129	-	13,922,426	-	29,721,406
Sewer connections	-	107,343	-	1,853,609	-	1,960,952
Sewer treatment plants	3,032,956	457,040	-	277,103	(580,019)	3,187,080
Water meters	6,366,702	1,395,545	-	6,325,575	-	7,721,120
Office furniture and equipment	4,652,663	314,780	(139,927)	(6,541,555)	-	-
Garage plant and equipment	-	101,300	(2,381,496)	349,442	(800,140)	1,921,769
Other equipment	-	-	-	6,836,283	-	6,836,283
Waste control equipment	81,780	2,573	-	(84,353)	-	-
Training equipment	20,993	355	-	(21,348)	-	-
Radios	171,238	17,789	-	(189,027)	-	-
Automotive equipment	5,580,190	252,530	(19,990)	(80,150)	(3,548,593)	2,183,987
Consultancy fees	2,919,508	668	(2,920,176)	-	-	-
Third party infrastructure - water	672,166	-	-	(672,166)	-	-
Third party infrastructure - sewer	1,374,679	-	-	(1,374,679)	-	-
<b>Total</b>	<b>\$ 123,080,705</b>	<b>\$ 12,649,702</b>	<b>\$ (5,461,589)</b>	<b>\$ 72,127,117</b>	<b>\$ (39,367,023)</b>	<b>\$ 163,028,912</b>
<b>Net book value 2010</b>	<b>\$ 189,224,217</b>			(See Note 21)		<b>\$ 243,406,580</b>
<b>Net book value 2009</b>	<b>\$ 185,338,408</b>					<b>\$ 189,224,217</b>



WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

5. PROPERTY, PLANT & EQUIPMENT (Continued)

New Providence

Cost	January 1 2010	Additions	Disposals	Valuation Additions	Valuation Disposals	Transfers	December 31 2010
Land and wellfields	171,005	20,195	-	-	-	-	191,200
Buildings	5,669,657	85,000	-	-	(912,474)	141,529	4,983,712
Dock installations	1,040,052	-	-	-	-	-	1,040,052
Harbour improvements	17,077,254	-	-	-	-	-	17,077,254
Water pumping stations	15,233,627	39,500	-	-	(15,169,403)	-	103,724
Sewer lift stations	4,223,989	806,526	-	-	(2,198,857)	2,120,000	4,951,658
Storage tanks and reservoirs	3,167,345	-	-	9,780,158	-	-	12,947,503
Transmission and distribution mains	103,026,139	1,263,219	-	-	(15,968,611)	11,884,085	100,204,832
Water service lines	16,435,248	199,664	-	5,338,317	-	4,036,816	26,010,045
Sewer collection system and mains	28,713,384	1,624,121	-	44,580,438	-	13,407,227	88,325,170
Sewer connections	-	178,447	-	2,008,996	-	2,106,288	4,293,731
Sewer treatment plants	6,293,917	175,000	-	-	(580,019)	3,211,251	9,100,149
Water meters	-	-	-	10,420,120	-	(6,800,894)	10,420,120
Office furniture and equipment	6,800,894	-	-	-	(581,745)	-	1,948,649
Garage plant and equipment	4,768,190	2,500	(2,240,296)	-	-	-	7,212,215
Other equipment	-	75,310	(139,752)	-	-	7,276,657	-
Waste control equipment	101,274	-	-	-	-	(101,274)	-
Training equipment	21,615	-	-	-	-	(21,615)	-
Radios	334,826	-	-	-	-	(334,826)	-
Automotive equipment	4,748,921	139,883	(19,990)	-	(2,916,909)	-	1,951,905
Consultancy fees	2,920,176	-	(2,920,176)	-	-	-	-
Third party infrastructure - water	10,170,151	-	-	-	-	(10,170,151)	-
Third party infrastructure - sewer	20,301,184	-	-	-	-	(20,301,184)	-
	251,218,848	4,609,365	(5,320,214)	72,128,029	(38,328,018)	6,453,909	290,761,919
Work-in-progress	3,104,621	7,233,104	-	-	-	(6,453,909)	3,883,816
Total	\$ 254,323,469	\$ 11,842,469	\$ (5,320,214)	\$ 72,128,029	\$ (38,328,018)	\$ -	\$ 294,645,735

WATER AND SEWERAGE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

5. PROPERTY, PLANT & EQUIPMENT (Continued)

New Providence	January 1 2010	Depreciation expense	Disposals	Valuation Adjustments	Valuation Disposals	December 31 2010
<b>Accumulated depreciation/impairment</b>						
Buildings	1,044,089	124,593	-	772,429	(912,474)	1,028,637
Dock installations	1,040,052	-	-	-	-	1,040,052
Harbour improvements	10,481,195	450,714	-	-	-	10,931,909
Water pumping stations	12,673,200	-	-	2,599,927	(15,169,403)	103,724
Sewer lift stations	2,783,763	186,487	-	2,103,637	(2,198,857)	2,875,030
Storage tanks and reservoirs	1,863,331	247,772	-	6,236,042	-	8,347,145
Transmission and distribution mains	29,341,341	2,475,005	-	17,768,380	(15,968,611)	33,616,115
Water service lines	10,029,565	1,682,953	-	(4,318,905)	-	7,393,613
Sewer collection system and mains	13,590,851	2,208,129	-	13,305,761	-	29,104,741
Sewer connections	-	107,343	-	1,744,786	-	1,852,129
Sewer treatment plants	3,000,235	445,239	-	268,718	(580,019)	3,134,173
Water meters	-	1,042,012	-	4,689,054	-	5,731,066
Office furniture and equipment	6,146,605	304,841	(139,752)	(6,311,694)	-	-
Garage plant and equipment	4,143,620	51,277	(2,240,296)	349,442	(581,745)	1,722,298
Other equipment	-	-	-	6,598,906	-	6,598,906
Waste control equipment	81,780	2,573	-	(84,353)	-	-
Training equipment	20,993	355	-	(21,348)	-	-
Radios	163,905	17,606	-	(181,511)	-	-
Automotive equipment	4,375,762	157,377	(19,990)	(80,150)	(2,916,909)	1,516,090
Consultancy fees	2,919,508	668	(2,920,176)	-	-	-
Third party infrastructure - water	672,166	-	-	(672,166)	-	-
Third party infrastructure - sewer	1,374,679	-	-	(1,374,679)	-	-
<b>Total</b>	<b>\$ 105,746,640</b>	<b>\$ 9,504,944</b>	<b>\$ (5,320,214)</b>	<b>\$ 43,392,276</b>	<b>\$ (38,328,018)</b>	<b>\$ 114,995,628</b>
<b>Net book value 2010</b>	<b>\$ 148,576,829</b>					<b>\$ 179,650,107</b>
<b>Net book value 2009</b>	<b>\$ 146,334,866</b>					<b>\$ 148,576,829</b>



WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

5. PROPERTY, PLANT & EQUIPMENT (Continued)

Family Islands

Cost	January 1 2010	Additions	Disposals	Valuation Adjustment	Valuation Disposals	Transfers	December 31 2010
Buildings	509,154	534	-	-	(263,521)	-	246,167
Land and wellfields	5,229,063	3,833	-	-	(75,885)	-	5,157,011
Water pumping station	1,688,465	30,971	-	-	(535,794)	138,441	1,322,083
Water service lines	1,235,639	-	-	5,810,116	-	140,550	7,186,305
Water meters	-	-	-	3,618,281	-	-	3,618,281
Sewer lift stations	78,323	-	-	56,483	-	-	134,806
Sewerage treatment plants	150,000	-	-	109,430	-	-	259,430
Storage tanks and reservoirs	3,194,425	-	-	3,687,915	-	7,783	6,890,123
Sewer collection systems & mains	-	-	-	616,665	-	-	616,665
Sewer connections	-	-	-	108,823	-	-	108,823
Transmission & distribution mains	41,717,812	91,684	-	37,261,023	-	245,585	79,316,104
Other equipment	-	-	-	-	-	253,478	253,478
Office furniture & equipment	247,302	-	(175)	-	-	(247,127)	-
Radios	6,351	-	-	-	-	(6,351)	-
Garage plant & equipment	931,950	24,000	(141,200)	-	(314,515)	-	500,235
Automotive equipment	1,325,172	67,015	-	-	(472,839)	-	919,348
<b>Work-in-progress</b>	56,313,656	218,037	(141,375)	51,268,736	(1,662,554)	532,359	106,528,859
	1,667,797	4,125,460	-	-	-	(532,359)	5,260,898
<b>Total</b>	<b>\$ 57,981,453</b>	<b>\$ 4,343,497</b>	<b>\$ (141,375)</b>	<b>\$ 51,268,736</b>	<b>\$ (1,662,554)</b>	<b>\$ -</b>	<b>\$ 111,789,757</b>

WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010

5. PROPERTY, PLANT & EQUIPMENT (Continued)

Family Islands	January 1 2010	Depreciation expense	Disposal	Valuation Adjustment	Valuation Disposals	December 31 2010
Accumulated depreciation/impairment						
Buildings	179,962	7,602	-	-	(160,711)	26,853
Land and wellfields	3,690,801	69,798	-	239,449	-	4,000,048
Water pumping station	919,048	34,408	-	-	(28,215)	925,241
Water service lines	262,495	426,635	-	3,881,734	-	4,570,864
Water meters	-	353,533	-	1,636,521	-	1,990,054
Sewer lift stations	20,445	-	-	114,361	-	134,806
Sewerage treatment plants	32,721	11,801	-	8,385	-	52,907
Storage tanks and reservoirs	899,824	170,561	-	2,792,258	-	3,862,643
Sewer collection systems & mains	-	-	-	616,665	-	616,665
Sewer connections	-	-	-	108,823	-	108,823
Transmission & distribution mains	9,387,868	1,915,122	-	19,336,645	-	30,639,635
Other equipment	-	-	-	237,377	-	237,377
Office furniture & equipment	220,097	9,939	(175)	(229,861)	-	-
Radios	7,333	183	-	(7,516)	-	-
Garage plant & equipment	509,043	50,023	(141,200)	-	(218,395)	199,471
Automotive equipment	1,204,428	95,153	-	-	(631,684)	667,897
Total	\$ 17,334,065	\$ 3,144,758	\$ (141,375)	\$ 28,734,841	\$ (1,039,005)	\$ 48,033,284
Net book value	\$ 40,647,388					\$ 63,756,473
Net book value	\$ 39,003,542					\$ 40,647,388



# WATER AND SEWERAGE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2010



### 6. ACCOUNTS RECEIVABLE

These are comprised of the following:

	2010	2009
<b>New Providence:</b>		
Water	20,697,679	20,757,947
Sewerage	3,993,349	3,766,806
	<u>24,691,028</u>	<u>24,524,753</u>
Less: Allowance for doubtful accounts	(19,494,133)	(19,908,743)
	<u>5,196,895</u>	<u>4,616,010</u>
Other	816,265	(1,496,387)
	<u>6,013,160</u>	<u>3,119,623</u>
<b>Family Islands:</b>		
Water	8,235,576	8,148,569
Sewerage	34,736	36,735
	<u>8,270,312</u>	<u>8,185,304</u>
Less: Allowance for doubtful accounts	(6,841,055)	(6,552,941)
	<u>1,429,257</u>	<u>1,632,363</u>
Other	69,388	81,264
	<u>1,498,645</u>	<u>1,713,627</u>
<b>Total</b>	<u><u>\$ 7,511,805</u></u>	<u><u>\$ 4,833,250</u></u>

Included in the above receivables for New Providence water and sewerage is an amount of \$6,625,155 (2009: \$3,101,481) due from Government ministries, departments and corporations.

Included in the above water and sewerage receivables for Family Islands is an amount of \$332,131 (2009: \$197,341) due from Government ministries, departments and corporations.

	2010	2009
<b>Provision for doubtful accounts</b>		
Opening balance	26,461,684	26,863,915
Amounts written-off during the year	(1,806,170)	(2,197,425)
Increase in doubtful debts provided for	1,679,674	1,795,194
<b>Closing balance</b>	<u><u>\$ 26,335,188</u></u>	<u><u>\$ 26,461,684</u></u>

**WATER AND SEWERAGE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010**



**7. BANK OVERDRAFT**

The Corporation has overdraft facilities with two banks. The first facility, with a limit of \$2.8 million, is guaranteed by the Government and bears interest at 7.25% per annum. The second facility, with a limit of \$1.9 million, is supported by a letter of comfort from the Government and bears interest at 7.5% per annum.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

These are comprised of the following:

	<u>2010</u>	<u>2009</u>
<b>New Providence:</b>		
Trade payables	6,903,855	5,890,604
Contributions to capital projects in progress (See below)	3,224,018	3,356,726
Interest payable	-	-
Defined benefit pension liability (Included in Note 15)	38,126,930	34,515,364
Accrued liabilities	10,753,086	9,042,504
	<u>59,007,889</u>	<u>52,805,198</u>
<b>Family Islands:</b>		
Trade payables	1,037,900	1,386,171
Contributions to capital projects in progress (See below)	521,760	772,419
Defined benefit pension liability (Included in Note 15)	5,647,234	4,896,828
Accrued liabilities	8,044,984	8,877,000
	<u>15,251,878</u>	<u>15,932,418</u>
<b>Total</b>	<u><b>\$ 74,259,767</b></u>	<u><b>\$ 68,737,616</b></u>

New Providence accounts payable and accrued liabilities include \$7,573,423 (2009: \$5,483,682) due to Government ministries, departments and corporations.

Family Island accounts payable and accrued liabilities include \$7,017,522 (2009: \$6,163,996) due to Government ministries, departments and corporations.

**Contributions to capital projects in progress:**

	<u>New Providence</u>	<u>Family Island</u>	<u>Total</u>
Liability at January 1, 2010	3,356,726	772,419	4,129,145
Contributions received during the year	314,029	367,360	681,389
Contributions to projects completed during the year	(446,737)	(618,019)	(1,064,756)
<b>Liability at December 31, 2010</b>	<u><b>\$ 3,224,018</b></u>	<u><b>\$ 521,760</b></u>	<u><b>\$ 3,745,778</b></u>



WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**9. LONG-TERM DEBT**

These comprise the following:

	<u>2010</u>	<u>2009</u>
(a) Inter-American Development Bank	6,925,357	7,438,347
(b) IBM	31,803	66,256
(c) British American Financial	<u>158,032</u>	<u>204,778</u>
	<b>7,115,192</b>	<b>7,709,381</b>
Less: Amounts due within one year	<u>(590,746)</u>	<u>(585,555)</u>
	<u><b>\$ 6,524,446</b></u>	<u><b>\$ 7,123,826</b></u>

The main characteristics of the long-term debt are as follows:

**(a) Inter-American Development Bank**

The Corporation was granted a loan facility of US \$14,000,000 in 1999 primarily for The Family Island Water Improvement Project. Only \$10,632,274 of this facility had been drawn-down, and the residual amount of the facility of \$ 3,367,726 was subsequently cancelled. Interest accrues on the disbursed portion of the loan facility at a rate per annum as determined by the preceding Semester's Cost of Single Currency Qualified Borrowings. The loan is repayable in equal bi-annual installments, which commenced on September 25, 2003, and will terminate no later than March 25, 2024. The outstanding balance at December 31, 2010 is \$6,925,357 (\$7,438,347 in 2009).

**(b) IBM**

The Corporation entered into a financing arrangement of \$ 95,414 for the purpose of procuring computer equipment, software and other services. This arrangement, which commenced in January 2009, is payable in 36 monthly installments of \$2,650. This facility does not bear interest. The outstanding balance at December 31, 2010 is \$31,803 (\$66,256 in 2009).

**(c) British American Financial**

The Corporation entered into an arrangement for \$257,480 to purchase equipment. This arrangement, which commenced in October, 2008, is payable in 60 monthly installments of \$5,534, inclusive of interest. The outstanding balance at December 31, 2010 is \$158,032 (\$204,778 in 2009).

WATER AND SEWERAGE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
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9. LONG-TERM DEBT (Continued)

Long-term debt repayable in more than one year is as noted below:

	2010	2009
1-5 years	2,639,026	2,725,415
More than 5 years	3,885,420	4,398,411
	<u>\$ 6,524,446</u>	<u>\$ 7,123,826</u>

Scheduled payments for the principal on the IBM loan, which were due on April 30, 2010, May 30, 2010, were paid on May 3, 2010, and June 1, 2010 respectively. Although management has adjusted the timing of payment instructions to ensure timely payment, occasional administrative delays have nonetheless occurred with the payor bank. No penalties accrued under the agreement.

10. EQUITY CONTRIBUTIONS

Equity contributions represent contributions to major capital projects received from the Government of the Commonwealth of The Bahamas. Receipts and distributions during the year are noted below:

	New Providence	Family Island	2010 Total	2009 Total
Balance at January 1	106,293,298	38,948,772	145,242,070	144,807,965
Contributions	-	3,217,613	3,217,613	2,115,057
Distributions	-	(1,803,663)	(1,803,663)	(1,680,952)
Balance at December 31	<u>\$ 106,293,298</u>	<u>\$ 40,362,722</u>	<u>\$ 146,656,020</u>	<u>\$ 145,242,070</u>



**WATER AND SEWERAGE CORPORATION**  
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**11. OPERATING EXPENSES**

	<u>2010</u>	<u>2009</u>
<b>Water:</b>		
Purchase of water	20,380,033	19,832,458
Staffing expense	5,521,423	5,678,796
Shipping charter hire	3,676,915	3,630,945
Fuel and oil	2,940,379	2,533,653
Electricity	2,717,527	2,505,753
Bad debts and sundry provisions	1,679,674	1,646,749
Repairs and maintenance	1,757,501	971,513
Office services	223,629	209,274
Chemicals	102,672	110,197
Travel	110,303	66,609
Outside services	115,123	102,365
Other shipping	47,260	16,014
Public relations	7,192	11,269
Data processing	17,209	4,164
Claims and damages	(1,030)	3,885
Training	12,746	4,796
Miscellaneous	102,358	86,038
	<u>39,410,914</u>	<u>37,414,478</u>
	<u>2010</u>	<u>2009</u>
<b>Sewerage:</b>		
Electricity	820,058	589,579
Staffing expense	803,905	746,847
Repairs and maintenance	299,474	230,593
Fuel and oil	29,612	29,983
Bad debts and sundry provisions	-	148,445
Office services	12,696	5,086
Training	-	2,392
Data processing	-	182
Chemicals	5,624	4,125
Miscellaneous	7,159	721
	<u>1,978,528</u>	<u>1,757,953</u>

**WATER AND SEWERAGE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. OPERATING EXPENSES (Continued)**

	<u>2010</u>	<u>2009</u>
<b>General and administrative:</b>		
Staffing expense	8,931,167	8,751,616
Administrative overhead	1,094,567	1,146,199
Professional and consultancy fees	1,150,786	893,195
Office services	516,206	450,622
Repairs and maintenance	365,148	407,373
Electricity	238,110	212,298
Data processing	381,042	440,474
Public relations	116,254	103,658
Training	132,437	123,759
Bank charges	202,167	203,316
Travel	10,471	16,007
Fuel and oil	112,329	108,911
Audit fees	50,929	51,265
Claims and damages	10,556	281,437
Chemicals	3,293	2,367
Miscellaneous	128,071	97,239
	<u>13,443,533</u>	<u>13,289,736</u>
<b>Total</b>	<u><u>\$ 54,832,975</u></u>	<u><u>\$ 52,462,167</u></u>

**12. DEPRECIATION**

	<u>2010</u>	<u>2009</u>
Water	8,798,715	5,780,580
General and administrative	891,988	639,231
Sewerage	2,958,999	1,849,430
	<u><u>\$ 12,649,702</u></u>	<u><u>\$ 8,269,241</u></u>



WATER AND SEWERAGE CORPORATION  
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**13. FINANCING OF OPERATIONS**

The Corporation has incurred significant operating losses in recent years and such losses are projected for the future. The Corporation is dependent on funding from the Government and it is anticipated that such funding, via the Government's subsidy, will continue to be made available at a level sufficient to allow the Corporation to adequately maintain its operations. In fiscal 2010, the Corporation received \$24,335,000 (2009: \$ 27,897,568) from the Government in the form of a subsidy to assist with the cost of operations.

**14. FINANCE CHARGES**

Finance charges comprise of the following:

	2010	2009
Interest on pension obligation (See Note 15)	4,304,600	4,216,900
Interest and commitments fees on long-term debt	189,329	370,970
Interest on bank overdraft	153,533	167,604
Interest on national insurance contributions in arrears	-	4,126
Other	305,672	379,254
	<u>\$ 4,953,134</u>	<u>\$ 5,138,854</u>

**15. PENSION PLAN**

The Corporation's funded pension contributions are wholly invested in a mutual fund that is administered by a private insurance company. Equity instruments totaled \$19,380,000 (2009:\$19,511,500).

The Corporation suspended funding contributions to the plan in 1989 and, up to June 2009, paid directly all current retirement benefits. Effective July 2009 and up to March 2010, a policy decision was made to obtain reimbursement on a quarterly basis from the pension fund for direct payment(s) of current retirement benefits. This was discontinued in the first quarter of 2010.

Direct payments of current retirement benefits, net of reimbursements for the fourth quarter of 2010, totaled \$1,473,200 (2009: \$2,377,900). Reimbursements of \$1,123,943 were received (2009: \$552,990).

	2010	2009	2008
Present value of funded obligations at December 31	74,766,300	71,916,000	70,564,500
Fair value of plan assets at December 31	(19,380,000)	(19,511,500)	(19,813,200)
Present value of unfunded obligations at December 31	55,386,300	52,404,500	50,751,300
Unrecognized actuarial losses	(11,109,400)	(12,426,700)	(14,151,200)
Unrecognized past service cost	(502,800)	(565,600)	(628,400)
<b>Liability recognized in statement of financial position at December 31</b>	<u><b>\$ 43,774,100</b></u>	<u><b>\$ 39,412,200</b></u>	<u><b>\$ 35,971,700</b></u>

**WATER AND SEWERAGE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. PENSION PLAN (Continued)**

	2010	2009	2008
Current service cost	2,343,000	2,357,300	2,503,200
Interest on obligation (See Note 14)	4,304,600	4,216,900	4,062,810
Expected return on plan assets	(1,210,400)	(1,251,700)	(1,280,600)
Net actuarial loss recognized in year	335,100	433,100	467,930
Past service cost	62,800	62,800	62,800
	5,835,100	5,818,400	5,816,140
Less: Previously accrued pension expense	-	-	-
<b>Pension expense for the year</b>	<b>\$ 5,835,100</b>	<b>\$ 5,818,400</b>	<b>\$ 5,816,140</b>

The actual net return on plan assets during the year was \$1,110,500 (2009: \$2,298,800).

**Movements in the net liability recognized in the statement of financial position are as follows:**

	2010	2009	2008
Net liability at January 1	39,412,200	35,971,700	32,946,360
Pension expense for the year	5,835,100	5,818,400	5,816,140
Contributions paid	(1,473,200)	(2,377,900)	(2,790,800)
<b>Net liability at December 31 (See Note 8)</b>	<b>\$ 43,774,100</b>	<b>\$ 39,412,200</b>	<b>\$ 35,971,700</b>

**Principal actuarial assumptions at the statement of financial position date are as follows:**

	2010	2009	2008
Discount rate	6.00% p.a.	6.00% p.a.	6.00% p.a.
Expected rate of return on plan assets	6.50% p.a.	6.50% p.a.	6.50% p.a.
Expected rate of salary increase	4.00% p.a.	4.00% p.a.	4.00% p.a.
Expected average remaining working lives of employees	18.5 years	17.8 years	17 years

**Defined Benefit Pension Plan**

	2010	2009	2008	2007
	\$	\$	\$	\$
Defined benefit obligations	(74,766,300)	(71,916,000)	(70,564,500)	(67,856,600)
Plan assets	19,380,000	19,511,500	19,813,200	19,701,900
Deficit	(55,386,300)	(52,969,900)	(50,751,300)	(48,154,700)
Experience adjustments on plan liabilities	(1,039,100)	(2,298,800)	(1,067,300)	(1,092,800)
Experience adjustments on plan assets	(128,300)	(442,000)	(1,169,300)	660,900



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**16. FINANCIAL RISK MANAGEMENT**

The Corporation's operations expose it to a number of financial risks. A risk management program has been established to protect the Corporation against potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

The most important operational risks to which the Corporation is exposed are liquidity risk, credit risk and market risk.

**(a) Liquidity Risk**

The Corporation is exposed to liquidity risk which is the risk that it might be unable to meet its obligations associated with its financial liabilities when they become due. This risk is mitigated by the Government's subsidy as stated in Note 13.

The Corporation has further undrawn banking facilities of \$2.70 million (2009:\$3.06 million) which can be used as an additional means of easing liquidity risks if necessary.

2010	Due or due in less than 1 month \$	Due between 1 to 3 months \$	Due between 3 months to 1 year \$	Due between 1 to 5 years \$	Due after 5 years \$	Total \$
<b>Financial Liabilities</b>						
Non-current debt	-	-	-	2,639,026	3,885,420	6,524,446
Trade and other payables	74,259,767	-	-	-	-	74,259,767
Bank overdraft	4,250,816	-	-	-	-	4,250,816
Current portion of long-term debt	6,802	267,041	316,903	-	-	590,746
	<u>78,517,385</u>	<u>267,041</u>	<u>316,903</u>	<u>2,639,026</u>	<u>3,885,420</u>	<u>85,625,775</u>

2009	Due or due in less than 1 month \$	Due between 1 to 3 months \$	Due between 3 months to 1 year \$	Due between 1 to 5 years \$	Due after 5 years \$	Total \$
<b>Financial Liabilities</b>						
Non-current debt	-	-	-	2,725,415	4,398,411	7,123,826
Trade and other payables	68,737,616	-	-	-	-	68,737,616
Bank overdraft	2,712,242	-	-	-	-	2,712,242
Current portion of long-term debt	6,390	266,206	312,959	-	-	585,555
	<u>71,456,248</u>	<u>266,206</u>	<u>312,959</u>	<u>2,725,415</u>	<u>4,398,411</u>	<u>79,159,239</u>

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**16. FINANCIAL RISK MANAGEMENT (Continued)**

**(b) Credit risk**

The Corporation is exposed to credit risk, which is the risk that a counterparty might cause a financial loss for the Corporation by failing to discharge its obligations.

The Corporation's exposure to credit risk on financial instruments is primarily in respect of accounts receivable and bank balances. There is also credit risk associated with counterparty operating contracts related to desalinated water production under "build-own-operate" arrangements.

Concentration of credit risk with respect to the Corporation's customers is not significant due to customers being unrelated, and is limited to the carrying value of accounts receivable. Credit risk on bank balances is not considered significant because funds are held by reputable and well established financial institutions. Risk with respect to operating contracts is mitigated by performance and operations securities and buy-out clauses, in the event of counterparty default in respect to material contracts.

By law, new premises are required to be connected to water and sewer services where they are available, for which certain minimum of fixed charges accrue, however, some customers elect to use alternative means. The Corporation asserts its right to collect statutory minimum or fixed charges, notwithstanding actual usage, on the basis of readiness to serve such customers. Consequently, although significant allowances are made for past due amounts over 120 days, individual accounts are written off only after legal remedies have been exhausted or it is determined that collection is improbable.

			<u>Past due but not impaired</u>				
	Carrying amount	Neither impaired nor past due	31-60 days	61-90 days	91-120 days	More than 121 days	Total
<u>2010</u>							
Accounts receivable	7,511,805	710,077	486,904	63,555	216,172	1,685,113	3,161,821
<u>2009</u>							
Accounts receivable	4,833,250	792,759	608,535	212,237	58,340	1,932,812	3,604,683

**(c) Market Risk**

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Corporation is exposed to the following market risks: interest rate risk; and foreign currency risk.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest bearing liabilities that expose the Corporation to interest rate risk are the long-term debt. There is no mitigation against this risk.

**Foreign currency risk**

Foreign currency risk refers to the risk that the value of a financial commitment or recognized asset or liability will fluctuate due to changes in foreign currency rates. There is no mitigation against this risk.



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**17. FINANCIAL INSTRUMENTS**

The following table analyzes the carrying amounts of financial assets and liabilities as defined in note 3(i):

	Loans and receivables \$	Financial instruments measured at amortized cost \$	Available for sale \$	Total \$
<b>2010</b>				
<b><u>Financial assets</u></b>				
Cash and bank balances	-	1,033,343	-	1,033,343
Accounts receivable	7,511,805	-	-	7,511,805
Other current assets	-	109,584	-	109,584
	<u>7,511,805</u>	<u>1,142,927</u>	<u>-</u>	<u>8,654,732</u>
<b><u>Financial liabilities</u></b>				
Non-current borrowings	-	6,524,446	-	6,524,446
Trade and other payables	-	74,259,767	-	74,259,767
Bank overdraft	-	4,250,816	-	4,250,816
Current portion of long-term debt	-	590,746	-	590,746
Customer deposits	-	4,132,537	-	4,132,537
	<u>-</u>	<u>89,758,312</u>	<u>-</u>	<u>89,758,312</u>
<b>2009</b>				
<b><u>Financial assets</u></b>				
Cash and bank balances	-	567,305	-	567,305
Accounts receivable	4,833,250	-	-	4,833,250
Other current assets	-	89,573	-	89,573
	<u>4,833,250</u>	<u>656,878</u>	<u>-</u>	<u>5,490,128</u>
<b><u>Financial liabilities</u></b>				
Non-current borrowings	-	7,123,826	-	7,123,826
Trade and other payables	-	68,737,616	-	68,737,616
Bank overdraft	-	2,712,242	-	2,712,242
Current portion of long-term debt	-	585,555	-	585,555
Customer deposits	-	4,086,957	-	4,086,957
	<u>-</u>	<u>83,246,196</u>	<u>-</u>	<u>83,246,196</u>

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**18. RELATED PARTY TRANSACTIONS**

**Key management compensation:**

Salaries, other short-term and termination benefits paid to key management are as follows:

	<u>2010</u>	<u>2009</u>
Short-term employee benefits	1,171,168	1,224,289
Post employment benefits	-	97,659
Termination benefits	-	122,367
	<u><u>\$ 1,171,168</u></u>	<u><u>\$ 1,444,315</u></u>

Additional related party disclosures are included elsewhere in the notes to the financial statements.

**19. CONTINGENT LIABILITIES**

In the normal course of business, the Corporation is exposed to asserted and unasserted claims. The Corporation is involved in various legal proceedings and claims covering a range of matters that arise in the normal course of business activities. Management is of the view that no significant losses will arise as a result of such proceedings and claims.

**20. COMMITMENTS**

The Corporation has the following commitments as at December 31, 2010:

(a) Water purchase agreements, which have minimum purchase terms. Minimum annual purchases in respect of these arrangements, exclusive of cost escalation clauses, are approximately as follows:

	<u>\$</u>
2011	20,597,127
2012	27,576,214
2013	22,055,714
2014	20,969,714
2015	20,969,714

(b) Rental agreements for which annual costs are \$135,580 (2009: \$132,571).



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**21. VALUATION ADJUSTMENT**

On January 18, 2011, an independent valuer was contracted to document the Corporation's ownership and the value of its fixed assets as at December 31, 2010. This process has resulted in a valuation adjustment that reflects the depreciated historical costs of the assets based on their condition, age and, when necessary, the impairment of asset value. See Notes 3(d), 4 and 5 for further details.

Whilst this valuation adjustment relates to prior years, it has been included in the current year's statement of comprehensive income, in accordance with IFRS. The amount of the valuation is made up as follows:

	<u>Notes</u>	<u>\$</u>
<b>COST</b>		
Valuation additions (Page 16)	5	123,396,765
Less disposals (Page 16)	5	<u>(39,990,572)</u>
		<b>83,406,193</b>
 <b>ACCUMULATED DEPRECIATION</b>		
Additions (Page 17)	5	72,127,117
Less disposals (Page 17)	5	<u>(39,367,023)</u>
		<b>32,760,094</b>
 <b>VALUATION ADJUSTMENT</b>		<b><u>\$ 50,646,099</u></b>

**22. SUBSEQUENT EVENTS**

- (a) In January 2011 the Corporation signed a 20 year agreement with Consolidated Water (Bahamas) Ltd. to increase the daily guaranteed minimum water purchases at the Blue Hills Plant in New Providence by 3.5 million imperial gallons to 7.5 million gallons, beginning in the fourth quarter of 2011.
- (b) As a consequence of a Downtown Redevelopment Project in the city of Nassau, several container terminal facilities will be relocated to Arawak Cay by mid-2011, and the Corporation's 2.9 million imperial gallons per day water transshipment operations between North Andros and New Providence will be discontinued within the fourth quarter of 2011. Demobilization costs and construction of replacement storage capacity at Blue Hills will be borne by the Arawak Cay Port Development Company.

