

ANNUAL REPORT

2018-19

ERA WATER



ERA WATER ANNUAL REPORT 2018-19

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MESSAGE FROM THE CHAIRPERSON

The Eastern Region Alliance Water (ERA Water) project of stormwater harvesting for aquifer storage and recovery began irrigation of Council reserves in November 2018.

During the year connections were completed to 15 reserves of the Constituent Councils – the Corporation of the Town of Walkerville, City of Burnside, and, City of Norwood, Payneham & St Peters. Tenders have been sought for connections to a further 32 reserves in the coming year.

The commissioning process confirmed the design capacity of the system except for the injection bore capacity. One of the original five bores required by the project design failed to provide an adequate yield. The result of the consequently reduced injection capacity and a low rainfall year, meant that the expected volume of water injected into the aquifer was not achieved. Approval was sought and obtained from the Constituent Councils to install additional injection bore capacity and to increase the borrowing limits to fund the additional work involved.

In February 2019, the Felixstow Reserve was officially opened. The Reserve incorporates the wetland treatment system of the ERA Water project as part of an enhanced area of public amenity developed by the City of Norwood, Payneham and St Peters.

There have been a number of personnel changes during the year. In September 2018, Robin English was appointed General Manager of ERA Water and he is making a positive impact in this important role. Geoff Vogt's term as a Board member for the City of Burnside was completed in June 2019. The Board has greatly appreciated Geoff's sage advice. Burnside has appointed Cr Sarah Hughes as the city's Board member.

Dr BRYAN JENKINS

Independent Chair, ERA WATER Board

GENERAL MANAGER'S REPORT

During the year, significant progress has been made at Eastern Region Alliance Water, with commissioning completed and the first sales of water to customers having been made.

The performance of the project has however been constrained by the low rainfall of the winter of 2018, and the reduced injection capacity of the project. These two factors have limited the amount of water that was able to be harvested and stored, and therefore limited the sales of water in the summer of 2018/2019. The two risks of low rainfall and reduced injection capacity due to one of the five bores in the project not performing at its designed capacity, are anticipated risks. It is unfortunate that both have occurred in the first year of operation.

The Board has now approved an increase in bore capacity and preparations are being made to Provide additional injection capacity. ERAW trusts that additional bore capacity will overcome the constraint on injection capacity and enable the scheme to operate as designed.

With lower than expected volumes of water available for sale during the year, ERAW was able to delay the construction of some of the connections to delivery points of the Constituent Councils so that costs could be saved by reducing the cost per connection. Late in the year, tenders were let for the construction of the remaining connections to Constituent Councils. Construction will commence early in the new year.

During the year BRM Advisory commenced providing accounting and strategic financial planning services, replacing accounting services provided by the City of Burnside. The scope of the financial information now available to the Board has been greatly improved and enabled much better decision making on the basis of sound information.

ERAW looks forward to completing the additional bore capacity and therefore being able to improve both injection and delivery of water and water sales, improving the financial viability of scheme.

ROBIN ENGLISH

ERA WATER GENERAL MANAGER

ABOUT ERA WATER

ERA Water Regional Subsidiary (ERA Water) is a regional subsidiary of the Constituent Councils established on 21 July 2015 under Section 43 of the *Local Government Act 1999*. Its Charter provides for the supply of recycled urban storm water on behalf of its Constituent Councils in the eastern suburbs of Adelaide, South Australia.

THE CONSTITUENT COUNCILS

The Constituent Councils of ERA Water are:

- The Corporation of the Town of Walkerville
- The City of Norwood, Payneham and St Peters
- The City of Burnside

PURPOSE

ERA Water was established as a result of the Waterproofing Eastern Adelaide project (the Project) and funded by the Constituent Councils which were supported through funding from the Australian Government's National Urban Water and Desalination Plan, and the Adelaide and Mount Lofty Ranges Natural Resources Management Board.

ERA Water's prime purpose, is to implement and manage a water recycling scheme which captures, treats and delivers stormwater for irrigation purposes to the Constituent Councils and other customers, which makes a significant contribution to the protection of Adelaide's environment and which reduces the reliance of Adelaide upon water from the Murray River. The scheme included the establishment of wetlands and biofilters, aquifer recharge and recovery infrastructure, pipeline installations and water storage facilities and utilises a process known as Aquifer Storage and Recovery (ASR) - a system of harvesting, treating and injecting the cleaned water into aquifers for later use.

The scheme comprises two treatment sites (which are capable of harvesting 600 ML of stormwater per annum and yielding for use 458 ML of water per annum) as well as 46km of distribution pipe network covering each of the three Constituent Council areas. The distribution network is designed to deliver water to Constituent Council reserves as well as to other potential customers in these areas and beyond (see page 11 showing a plan of the ERA Water network).

ERA Water expects to ultimately sell 458 ML per annum of water of which 204.7 ML per annum is committed to the three Constituent Councils. An additional 253.3 ML per annum is forecast to be sold to other customers.

GOVERNANCE

BOARD OF MANAGEMENT

ERA Water is governed by a Board of Management composed of an Independent Chairperson and a representative from each Constituent Council as shown in the Table below. The Board held nine formal meetings during the 2018-19 financial year. The table below details Board Member attendance at each meeting.

	Member	Meetings Attended
Independent Chairperson	Bryan Jenkins	9
City of Burnside (Independent Member)	Geoff Vogt	9
City of Norwood Payneham and St Peters	John Minney	9
Corporation of the Town of Walkerville	Kiki Magro	8

Geoff Vogt Independent Member for the City of Burnside resigned as Acting Chair and Bryan Jenkins was appointed as Independent Chair on 11 July, 2018.

Brian Maguire resigned as General Manager of ERA Water on 21 August, 2018 and Robin English was appointed as General Manager on 10 September, 2018.

CONFIDENTIALITY

During the 2018-19 financial year, the Board considered reports of a confidential nature at one meeting where it was necessary to exclude the public from discussion. The table below identifies the grounds on which the Board made this determination

Local Government Act 1999	Description	Number of times used
90(3)(d)	Information relating to commercial information of a confidential nature (not being a trade secret)	1

FREEDOM OF INFORMATION

No requests were received under the Freedom of Information Act (SA) 1991 during the 2018-19 financial year

STAFFING STRUCTURE

ERA Water appointed Robin English as General Manager on a fixed term contract, commencing on 10 September, 2018.

Apart from the General Manager, no other staff were appointed by ERA Water during the year.

SUPPORT FROM CONSTITUENT COUNCILS

The Town of Walkerville continued to provide ERA Water with financial, administrative and Board secretarial support functions and services throughout the 2018-19 financial year.

The City of Burnside provided accounting and IT support during the year.

The City of Norwood Payneham & St Peters provided office accommodation for the General Manager.

FINANCIAL MATTERS

FY2019 BUDGET and LONG TERM FINANCIAL PLAN

The Budget FY2018-19 and Long Term Financial Plan (LTFP) for ERA Water were adopted by the Constituent Councils.

CHARTER

The Charter for ERA Water was approved by the Minister for Local Government on 21 July 2015. The Charter sets out the responsibilities of ERA Water including its governance, financials and its responsibilities to the Constituent Councils.

FINANCE AUDIT COMMITTEE

The ERA Water Audit Committee held three meetings in the 2018-19 financial year. The work of the Committee over the past financial year has included reviewing ERA Water's audited Financial Statements, reviewing the draft Budget and Long Term Financial Plan, providing recommendations on financial and accounting policy matters, and considering external audit matters.

The Audit Committee Members in 2018-19 were:	Meetings Attended
• Corinne Garrett (Chairperson)	2
• Peter Holmes (resigned 29 May, 2019)	3
• Roberto Bria	2
• Bryan Jenkins (appointed 22 August, 2018)	3

FINANCIAL STATEMENTS

The Audited Financial Statements for the year ending the 30 June 2019 are provided in the annual report below and show an Operating Deficit of \$ 1,037,391 and Total Council Equity of \$7,923,248

It became clear during the year that, as a result of very much dryer than average rainfall during the winter of 2018, and a lower than designed injection capacity, there would be a need for the Project to secure increased financing to enable it to continue in operation, until average rainfall returned and injection capacity could be improved to the design requirements.

Insufficient injection capacity resulted from the low yield produced by one of the five bores required in the design of the scheme, and constructed downstream of lower Portrush Road. It was initially hoped that the four successful bores would provide sufficient injection capacity to avoid the additional expense of a replacement bore. This proved not to be the case.

Board approval was therefore requested to increase the financing available to ERAW, should it be required, by \$2.3 million, and this was provided by the 30th April, 2019. Funding will be drawn down as and when required.

PROJECT

CONSTRUCTION

Construction of the Project is complete and the commissioning phase commenced on 30 November, 2018, with a ceremony celebrating the first water provided by the Project to a customer and used to irrigate Levi Park at Walkerville.

There are still a number of connections to customers irrigation points to be provided. The provision of these connections was delayed by insufficient water harvesting during the extremely dry winter of 2018. It became economically efficient to delay provision of the connections to the winter of 2019.

OPERATIONS AND MAINTENANCE

Engineering management of the Project has been performed by Walbridge Gilbert Aztec, the Project's designers, for a number of years, including 2019, Operations by Guidera O'Connor and Landscaping by LCS Landscaping. The term contracts of all of these contractors had expired by the end of the year and the negotiation of future arrangements with them was well advanced. New contractual arrangements are expected to be concluded early in the new financial year. They continue to provide services under interim arrangements.

The performance of the Project continues to improve and in the event of increased rainfall, will improve further. At the end of the financial year 193.1 ML of water had been harvested at the Projects two intakes, 101.5 ML had been treated to the required standard and injected into the aquifer and 10.9 ML had been provided to the Constituent Councils for irrigation. The current winter harvest season is being constrained by a late start to the rains and high turbidity of initial streamflows.





It will be clear from references to low winter rains in 2018, and a late start to rains in 2019, that the establishment of a plume of stored water in the aquifer is not as advanced as it was planned to be by year end. As water becomes available, every effort will be made to improve the position.

It is pleasing to report that the establishment of the Felixstow Wetland as part of the Project, jointly funded by the Project and the City of Norwood Payneham and St Peters, has been a great success. It was opened on the 10th February, 2019, and has provided greatly improved amenity for both residents in the area and those who visit from elsewhere. It is a wonderful example of the benefits that projects such as this can provide. Significantly, it is operating to design specifications and admirably performing its tasks of cleaning harvested water for injection.

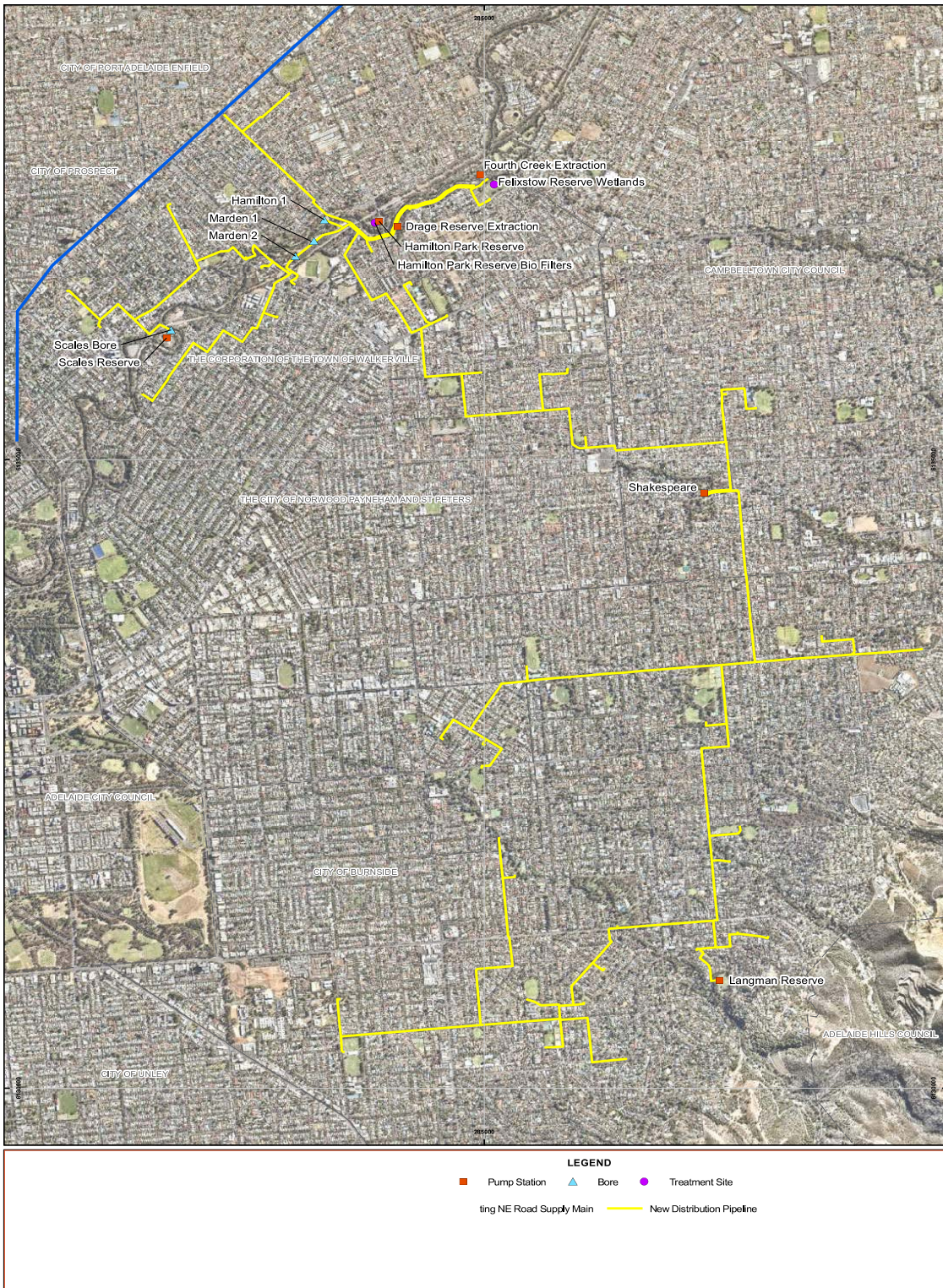
RAINFALL DATA

In view of the dependence of the project upon rainfall, average rainfall for Adelaide, and actual rainfall in the eighteen months to 30th June 2019, has been provided below.

The following rainfall figures have been taken from the Bureau of Meteorology's weather station at Kent Town.

Rainfall Adelaide																	
2018	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total				
Mean rainfall (mm)	20.1	15.5	26.4	38.2	61.5	78.1	76.6	68.1	58.7	41.4	29.9	28.9	551.4	40	1977		
2018	7.2	5.8	5.8	22.2	67.8	54.8	67.8	82.6	23.2	21.8	48.6	19.8	427.4				
2019	Jan	Feb	Mar	April	May	Jun											
Mean rainfall (mm)	20.1	15.5	26.4	38.2	61.5	78.1									1977		
2019	0.0	9.0	8.2	5.4	87.4	82.6											

DISTRIBUTION NETWORK FOR ERA WATER SCHEME



DESCRIPTION OF THE ERA WATER PROJECT

Stormwater Harvesting

Stormwater is harvested from Third and Fourth Creek.



Third Creek Inlet



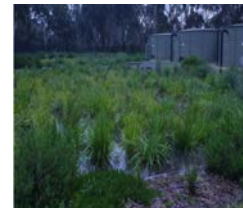
Fourth Creek Inlet

Treatment of Stormwater

Stormwater is treated through wetlands and biofilters.



Felixstow Wetland Treatment Pond



Hamilton Reserve Biofilter

Aquifer Storage and Recovery

Treated water is injected into the fractured rock aquifer for storage then recovery.



Injection/Extraction Bore

Reticulation of Recovered Water

Recovered water is pumped through a pipeline network to Council reserves.



Langman Reserve Pump Station



Langman Reserve Balancing Storage Under Construction

Irrigation of Reserves

The recovered water is connected to the irrigation system of council reserves in place of potable water.



Levi Park Irrigation With Recovered Water

SUMMARY FINANCIAL STATEMENT

General Purpose Financial Statements for the year ended 30 June 2019

ERA WATER



ERA Water Regional Subsidiary

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*The Corporation of the Town of Walkerville
The City of Norwood Payneham and St Peters
The City of Burnside*

ERA Water Regional Subsidiary

General Purpose Financial Statements for the year ended 30 June 2019

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ERA Water Regional Subsidiary

General Purpose Financial Statements for the year ended 30 June 2019

Certification of Financial Statements

We have been authorised by ERA Water Regional Subsidiary to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of ERA Water Regional Subsidiary's financial position at 30 June 2019 and the results of its operations and cash flows for the financial year,
- internal controls implemented by ERA Water Regional Subsidiary provide a reasonable assurance that ERA Water Regional Subsidiary's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect ERA Water Regional Subsidiary's accounting and other records.



Robin English
General Manager



Bryan Jenkins
Chairperson

Date:

ERA Water Regional Subsidiary

Statement of Comprehensive Income for the year ended 30 June 2019

\$	Notes	2019	2018
Income			
User Charges	2a	25,860	-
Grants, Subsidies and Contributions		-	-
Investment Income	2b	10,589	2,116
Reimbursements	2c	180,626	-
Total Income		217,075	2,116
Expenses			
Employee Costs	3a	110,407	43,223
Materials, Contracts & Other Expenses	3b	616,551	164,160
Depreciation, Amortisation & Impairment	3c	265,701	-
Finance Costs	3d	261,806	-
Total Expenses		1,254,466	207,383
Operating Surplus / (Deficit)		(1,037,391)	(205,267)
Amounts Received Specifically for New or Upgraded Assets	2b		
Net Surplus / (Deficit)		(1,037,391)	(205,267)
Total Comprehensive Income		(1,037,391)	(205,267)

ERA Water Regional Subsidiary

Statement of Financial Position for the year ended 30 June 2019

\$	Notes	2019	2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	4a	30,615	9,517
Trade & Other Receivables	4b	206,522	10,316
Subtotal		237,137	19,833
Total Current Assets		237,137	19,833
Non-Current Assets			
Other Non-Current Assets	5	20,919,166	20,783,106
Total Non-Current Assets		20,919,166	20,783,106
TOTAL ASSETS		21,156,303	20,802,939
LIABILITIES			
Current Liabilities			
Trade & Other Payables	6	237,157	170,795
Borrowings	6	13,000,000	11,668,166
Provisions	6	(4,102)	3,339
Subtotal		13,233,055	11,842,300
Total Current Liabilities		13,233,055	11,842,300
TOTAL LIABILITIES		13,233,055	11,842,300
Net Assets		7,923,248	8,960,639
EQUITY			
Accumulated Surplus		7,923,248	8,960,639
Total Council Equity		7,923,248	8,960,639

ERA Water Regional Subsidiary

Statement of Changes in Equity for the year ended 30 June 2019

\$	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
Balance at the end of previous reporting period		8,960,638	-	-	8,960,638
Restated Opening Balance		8,960,638	-	-	8,960,638
a. Net Surplus / (Deficit) for Year		(1,037,391)			(1,037,391)
b. Other Comprehensive Income		-	-	-	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		(1,037,391)	-	-	(1,037,391)
c. Transfers between Reserves					-
Balance at the end of period		7,923,248	-	-	7,923,248

ERA Water Regional Subsidiary

Statement of Cash Flows for the year ended 30 June 2019

\$	Notes	2019	2018
Cash Flows from Operating Activities			
Receipts			
User Charges		10,280	-
Investment Receipts		10,589	2,116
Reimbursements		-	-
Other Receipts		-	977,503
Payments			
Payments to Employees		(117,848)	(39,884)
Payments for Materials, Contracts & Other Expenses		(558,864)	(684,085)
Finance Payments		(253,132)	-
Net Cash provided by (or used in) Operating Activities		(908,975)	255,650
Cash Flows from Investing Activities			
Receipts			
Amounts Received Specifically for New/Upgraded Assets			
Payments			
Expenditure on New/Upgraded Assets		(401,760)	(2,910,586)
Net Cash provided by (or used in) Investing Activities	7	(401,760)	(2,910,586)
Cash Flows from Financing Activities			
Receipts			
Proceeds from Borrowings		1,331,834	2,650,000
Net Cash provided by (or used in) Financing Activities		1,331,834	2,650,000
Net Increase (Decrease) in Cash Held		21,099	(4,936)
plus: Cash & Cash Equivalents at beginning of period	7	9,516	14,451
Cash & Cash Equivalents at end of period	7	30,615	9,516
Total Cash, Cash Equivalents & Investments		30,615	9,516

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

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ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies

ERA Water is a Local Government Authority Section 43 Regional Subsidiary under the control of the Corporation of the Town of Walkerville, the City of Norwood, Payneham & St Peters and the City of Burnside. The principal accounting policies adopted by ERA Water Regional Subsidiary (ERA Water) in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011*.

1.2 Going Concern Basis

The board of management notes that the authority has borrowings of \$13 million that it will continue to manage. The authority has a statutory guarantee from its member councils to meet all of its financial obligations and accordingly has prepared their financials on a going concern basis.

1.3 Historical Cost Convention

Except as stated below, these financial statements have been prepared in accordance with the historical cost convention.

1.4 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying ERA Water's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.5 Economic Dependency

Per Section 5.2 of the Authority's Charter, there may be a requirement for additional financial contributions to be made by Constituent Councils if there is insufficient

working capital available to meet ERA Water's financial obligations. The Authority may be reliant on this additional financial support being provided to enable it to continue to operate on a going concern basis.

1.6 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

2 The Local Government Reporting Entity

ERA Water is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 66 Walkerville Terrace, Gilberton SA 5081. These financial statements include the ERA Water's direct operations.

3 Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when ERA Water obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes.

4. Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at ERA Water's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 8.

5 Infrastructure, Property, Plant & Equipment

5.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (cont.)

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by ERA Water includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by ERA Water for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

As the scheme is not yet fully operational, all costs relating to the construction and commissioning of the scheme have been capitalised.

5.3 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of ERA Water, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Once the scheme is commissioned, ERA Water will assign major depreciation periods for each class of asset. Depreciation periods for infrastructure assets will be estimated based on the best information available to ERA Water.

Upon commissioning of the ERA Water scheme on 30 November 2018, the capital work in progress was evaluated and appointed into various disclosed asset classes. Depreciation commenced on 1 December 2018.

5.4 Impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

5.5 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123. The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

6 Payables

6.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

6.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to ERA Water assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

7 Borrowings

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

10 Provisions for Reinstatement, Restoration and Rehabilitation

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (cont.)

materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. ERA Water's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

11 Construction Contracts

Construction works undertaken by ERA Water for third parties are generally on an agency basis where the third party reimburses ERA Water for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

13 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

14 New accounting standards and UIG interpretations

In the current year, ERA Water adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to ERA Water's accounting policies.

ERA Water has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally ERA Water applies standards and interpretations in accordance with their respective

commencement dates. The retrospective application of AASB 2015-7 has exempted ERA Water from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, AASB 9 *Financial Instruments* and AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on ERA Water's financial statements.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to ERA Water, which means that ERA Water will disclose more information about related parties and transactions with those related parties.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

ERA Water is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 *Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

16 Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

17 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 2. Income

\$	Notes	2019	2018
(a). User Charges			
Sale of water		25,860	-
Total User Charges		25,860	-
(b). Investment Income			
Interest on Investments			
- Local Government Finance Authority		41	2,116
LGFA distribution		8,604	-
LGAAMF distribution		1,944	-
Total Investment Income		10,589	2,116
(c). Reimbursements			
Reserve connections to be reimbursed by Constituent Councils		180,626	-
Total Reimbursements		180,626	-
Note 3. Expenses			
(a). Employee Costs			
Salaries and Wages		104,805	36,881
Movement in Leave Provision		(4,307)	2,839
Superannuation		9,909	3,504
Total Operating Employee Costs		110,407	43,223
(b). Materials, Contracts and Other Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		5,300	3,800
Electricity		34,013	
Insurance		74,115	53,254
Maintenance		223,565	-
Professional Services		44,020	40,050
Connection costs (to be reimbursed)		180,626	-
Other		54,913	67,056
Total Materials, Contracts and Other Expenses		616,551	164,160
(c). Depreciation, Amortisation and Impairment			
Water Assets		265,701	-
Total Depreciation, Amortisation and Impairment		265,701	-
(d). Finance Costs			
Interest on Overdraft and Short-Term Drawdown		261,806	-
Total Finance Costs		261,806	-

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

\$	Notes	2019	2018
Note 4. Current Assets			
(a). Cash & Cash Equivalents			
Cash on Hand at Bank		30,615	9,517
Total Cash & Cash Equivalents		30,615	9,517
(b). Trade & Other Receivables			
Trade debtors		7,834	-
Reimbursement of capital connection costs		198,688	-
GST Recoupment			10,316
Subtotal		206,522	10,316
Total Trade & Other Receivables		206,522	10,316

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 5. Non-Current Assets

\$	as at 30/6/2018			Asset Movements during the Reporting Period				
	Cost	Dep'n	Written Down Value	Asset Additions		as at 30/6/2019		
				New / Upgrade	Depreciation	Cost	Acc. Dep'n	Written Down Value
Capital Work in Progress	20,783,106	-	20,783,106			-	-	-
Civil Assets	-	-	-	12,849,171	123,708	12,849,171	123,708	12,725,463
Electronic Assets	-	-	-	1,316,245	25,304	1,316,245	25,304	1,290,941
Instrumentation & Control Assets	-	-	-	213,546	8,730	213,546	8,730	204,816
Mechanical Assets	-	-	-	2,260,502	65,931	2,260,502	65,931	2,194,571
Sunk Costs	-	-	-	4,346,233	36,219	4,346,233	36,219	4,310,014
Water Treatment Equipment	-	-	-	199,170	5,809	199,170	5,809	193,361
	-	-	-	-		-	-	-
Total Infrastructure, Property, Plant & Equipment	20,783,106	-	20,783,106	21,184,867	265,701	21,184,867	265,701	20,919,166
Comparatives	17,872,520	-	17,872,520	-		20,783,106	-	20,783,106

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2019

Note 6. Liabilities

\$	Notes	2019 Current	2019 Non Current	2018 Current	2018 Non Current
(a). Trade and Other Payables					
Trade and Other Payables		57,713	-	42,840	-
Accrued Expenses - Finance Costs		113,652	-	104,978	-
Accrued Expenses - Salaries		-	-	5,269	-
Accrued Expenses - Other		65,792	-	17,709	-
Total Trade and Other Payables		237,157	-	170,795	-
(b). Borrowings					
Loans		13,000,000	-	11,668,166	-
Total Borrowings		13,000,000	-	11,668,166	-
(c). Provisions					
Employee Entitlements (including oncosts)		(4,102)	-	3,339	-
Total Provisions		(4,102)	-	3,339	-

Note 7. Reconciliation to Statement of Cash Flows

\$	2019	2018
(a). Reconciliation of Cash		
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Total Cash & Equivalent Assets	30,615	9,517
Balances per Statement of Cash Flows	30,615	9,517
(b). Reconciliation of Change in Net Assets to Cash from Investing Activities		
Net Surplus/(Deficit)	(1,037,391)	(205,267)
Non-Cash Items in Income Statements		
Depreciation, Amortisation & Impairment	265,701	-
Net increase (decrease) in unpaid employee benefits	(7,442)	-
	(779,131)	(205,267)
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	(196,207)	977,503
Net Increase/(Decrease) in Trade & Other Payables	66,362	(516,585)
Net Cash provided by (or used in) operations	(908,975)	255,651
(c). Financing Arrangements		
Unrestricted access was available at balance date to the following lines of credit:		
LGFA Cash Advance Debenture Facility	15,300,000	13,000,000
Undrawn balance	2,300,000	1,331,834

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 8. Financial Instruments

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2019					
Financial Assets					
Cash & Equivalents	30,615	-	-	30,615	30,615
Receivables	206,522	-	-	206,522	206,522
Total Financial Assets	237,137	-	-	237,137	237,137
Financial Liabilities					
Payables	229,442	-	-	229,442	229,442
Current Borrowings	13,000,000	-	-	13,000,000	13,000,000
Total Financial Liabilities	13,229,442	-	-	13,229,442	13,229,442
2018					
Financial Assets					
Cash & Equivalents	9,517	-	-	9,517	9,517
Receivables	10,316	-	-	10,316	10,316
Total Financial Assets	19,833	-	-	19,833	19,833
Financial Liabilities					
Payables	165,063	-	-	165,063	165,063
Current Borrowings	11,668,166	-	-	11,668,166	11,668,166
Total Financial Liabilities	11,833,229	-	-	11,833,229	11,833,229

The following interest rates were applicable
to Council's Borrowings at balance date:

	30 June 2019		30 June 2018	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	3.35%	13,000,000	3.60%	11,668,166
		13,000,000		11,668,166

Financial Liabilities

Financial liabilities do not include employee benefits such as wages payable, superannuation payable, or income tax withheld.

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the ERA Water.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of ERA Water is the carrying amount, net of any allowance for doubtful debts. All ERA Water investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of ERA Water's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that ERA Water will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. ERA Water also has available a borrowing facility that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. At the balance date, ERA Water has only variable interest rate borrowings and investments. Subsequent to balance date, the ERA Water board resolved to fix a portion of its existing debt balance on fixed term rates to reduce its exposure to interest rate risk.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 9. Uniform Presentation of Finances

\$	2019	2018
The following is a high level summary of both operating and capital investment activities of ERA Water prepared on a simplified Uniform Presentation Framework basis. All Councils and subsidiaries in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.		
Income	217,075	2,116
less Expenses	<u>(988,765)</u>	<u>(207,383)</u>
Operating Surplus / (Deficit)	(771,690)	(205,267)
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	-	-
less Depreciation, Amortisation and Impairment	(265,701)	-
less Proceeds from Sale of Replaced Assets	-	-
Subtotal	(265,701)	-
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(136,059)	(2,910,586)
less Amounts Received Specifically for New and Upgraded Assets	-	-
less Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	-
Subtotal	(136,059)	(2,910,586)
Net Lending / (Borrowing) for Financial Year	(1,173,450)	(2,910,586)

Note 10. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

POTENTIAL INSURANCE LOSSES

ERA Water insures against known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance. ERA Water is not aware of any such insurance claims at the reporting date. Other potential claims not reported to ERA Water may have existed at reporting date.

Note 11. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2019, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

ERA Water has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the authorised for issue date is 31 August 2019.

ERA Water is unaware of any material or significant "non adjusting events" that should be disclosed.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

Note 12. Expenditure Commitments

Capital Commitments

During June 2018, ERA Water awarded a tender for the provision of reserve connections with an estimated capital value of \$395,418 (including contracted Project Management costs of \$33,585). These connections are expected to be installed between July 2019 and December 2019.

ERA Water is also expected to install a replacement bore during financial year 2020 however at the balance date a contract for services has not been entered into.

Other Expenditure Commitments

	Remaining contract	Completion Date
Project Management and scheme optimisation	117,175	June 2020
Wetland maintenance	15,000	June 2020
Scheme operations and commissioning	195,184	June 2020

Note 13. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Authority include Robin English (General Manager) and the members of the ERA Water Board including:

- Bryan Jenkins (Chairperson)
- Kiki Magro (Chief Executive - Corporation of the Town of Walkerville)
- John Minney (Councillor - City of Norwood, Payneham and St Peters)
- Geoff Vogt (Independent Member representing the City of Burnside)

Compensation paid to Key Management Personnel during the financial year:

Brian Maguire received employment entitlements to the value of \$37,385 in relation to his role as General Manager of ERA Water.

Robin English received employment entitlements to the value of \$72,692 in relation to his role as General Manager of ERA Water.

Bryan Jenkins earned \$12,000 in relation to his role as Chairperson of ERA Water during FY2019.

Kiki Magro, Geoff Vogt and John Minney received \$nil compensation from ERA Water.

Transactions with related parties:

The Related Parties disclosed below are equity owners of the Authority and are referred to as Member Councils. Member Councils have representation on the Board of the Authority and accordingly have significant influence on the financial and operating decisions of the Authority. No one Member Council individually has control of those policies.

Amounts received from related parties:

Town of Walkerville provided ERA Water with Board and Audit Committee secretarial support and Bookkeeping / Accounting services for part of the financial year.

City of Norwood Payneham & St Peters provided furnished office accommodation for ERA Water General Manager for the whole of the financial year.

City of Burnside funded part of the cost of bookkeeping and financial management support provided to ERA Water by a third party.

The following amounts were outstanding from member councils relating to reserve connections to be reimbursed as at 30 June 2019:

City of Burnside - \$91,289

Town of Walkerville - \$46,166

City of Norwood Payneham & St Peters - \$61,234

Total - \$198,688

\$7,834 of unpaid water charges relating to the City of Norwood Payneham & St Peters are also outstanding at the balance date.

ERA Water Regional Subsidiary

General Purpose Financial Statements

for the year ended 30 June 2019

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of ERA Water Regional Subsidiary for the year ended 30 June 2019, the Council's Auditor, Dean Newbery and Partners has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.



Robin English
General Manager



Corinne Garrett
Presiding Member, Audit Committee

**Auditor's Independence Declaration under Section 22 of the Local Government
(Financial Management) Regulations 2011 to the Eastern Region Alliance
Water Regional Subsidiary**

I confirm that, for the audit of the financial statements of the Eastern Region Alliance Water Regional Subsidiary for the year ended 30 June 2019, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.



SAMANTHA CRETEN
PARTNER

Signed on the 26th day of September 2019,
at 214 Melbourne Street, North Adelaide, South Australia 5006

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE EASTERN REGION ALLIANCE WATER REGIONAL SUBSIDIARY**

Opinion

We have audited the financial report of the Eastern Region Alliance Water Regional Subsidiary (the Authority), which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information and the Certification of Financial Statements.

In our opinion, the financial report presents fairly, in all material respects, the financial position of Eastern Region Alliance Water Regional Subsidiary as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards (including Australian Accounting Interpretations).

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information other than the Financial Report and Auditor's Report Thereon

The Authority is responsible for the other information. The other information comprises the information included in the Authority's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility for the Financial Report

The Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*. The Authority's responsibility includes establishing and maintaining internal control relevant to preparation and fair presentation of the financial report so that it is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Authority is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of the Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Eastern Region Alliance Water Regional Subsidiary to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS



SAMANTHA CRETEN
PARTNER

Signed on the 26th day of September 2019,
at 214 Melbourne Street, North Adelaide