

# ANNUAL REPORT

2016-17

**ERA WATER**



# ERA WATER ANNUAL REPORT 2016-17

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## MESSAGE FROM THE CHAIRPERSON

Eastern Region Alliance Water (ERA Water) has largely constructed the urban stormwater capture system and is starting to store water for first deliveries in the summer of 2018-19.

ERA Water will capture sustainable supplies of Urban Stormwater from Third and Fourth Creek, clean and treat the water and store it in the underground aquifer. The water will then be extracted from the aquifer and pumped to irrigate ovals, school playing fields and businesses. One of the unique aspects of this project is the cooperation between the three Councils in the design, construction and planning of a technically complex project. The Councils have secured a commercial advantage whilst also ensuring sustainable water supplies of locally produced water to the local community.

The project was funded through grants from the Commonwealth Government and the Adelaide and Mount Lofty Natural Resources Management Board along with borrowings by ERA Water. The major portions of the construction were completed during the reporting period and, whilst the first water is stored in the aquifers, connections will be gradually made over the next twelve months for first deliveries to some customers in the summer of 2018-19. This is an exciting project and from a governance perspective and technical aspect is world leading.

The Constituent Councils of ERA Water are those of the Corporation of the Town of Walkerville, City of Burnside and City of Norwood, Payneham & St Peters. They are to be congratulated in their leadership in supporting the project and consequent benefits that it will provide to their communities.

As Chairperson, I would like to thank them for their support and to also acknowledge and thank the hard work of the Acting General Manager, Walbridge Gilbert Aztec and the construction teams for bringing this exciting project towards its fruition.



**JOHN O'BRIEN**

ERA WATER CHAIRMAN

## ACTING GENERAL MANAGER'S REPORT

The previous 12 months has seen significant progress on the Waterproofing Eastern Adelaide Project; completion of design, construction progress, and achievement of funding milestones.

This Annual Report details progress on the Waterproofing Eastern Adelaide Project and ERA Water as a Subsidiary. Construction has progressed significantly over the previous 12 months. Pipeline and Mechanical and Electrical installations have continued, in addition to the engagement of a Civil Contractor to construct the wetlands and bio filters. The project is now entering its commissioning phase, whereby the entire system's operation will be tested, including initiating the stormwater capture, treatment, and injection processes.

The ERA Water Governance has also experienced some changes over the previous year. I would like to thank Colin Pitman for his significant contributions to the project, and for carrying out the role of Acting General Manager for the majority of the 2016-17 Financial Year.

Thank you to all parties who contributed to the project in the 2016-17 Financial Year; the ERA Water Board and Constituent Councils, Commonwealth Government and the Adelaide and Mount Lofty Natural Resources Management Board, the design team, the contractors, and other Councils who were involved and assisted in facilitating the works.



**NATHAN SILBY**

DIRECTOR, WALLBRIDGE GILGERT AZTEC

ERA WATER ACTING GENERAL MANAGER

## ABOUT ERA WATER

ERA Water Regional Subsidiary (ERA Water) is a regional subsidiary established under Section 43 of the *Local Government Act 1999* which through the 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 are:

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

ERA Water was legally constituted on 21 July 2015 following a period where the financial feasibility of the business was analysed and after considerable bore testing was undertaken to secure certainty to the ability to store the required quantities of treated urban storm water.

Following the feasibility analysis, the business case was prepared with the active participants including City of Tea Tree Gully and Campbelltown City Council.

These Councils subsequently withdrew from the project and the project was redesigned and a prudential review presented to the Constituent Councils which resulted in the approval of the Charter and its subsequent approval by the Minister for Local Government.

## 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. The Board held seven formal meetings during the 2016-17 financial year. The information below details Board Member attendance at each meeting.

	<b>Member</b>	<b>Meetings Attended</b>
Independent Chairperson	John O'Brien	7
City of Burnside	Barry Cant	5
City of Norwood Payneham and St Peters	Mario Barone	4
	John Minney (Deputy)	3
Corporation of the Town of Walkerville	Kiki Magro	6
	Graham Webster (Deputy)	1

Colin Pitman's contract as Acting General Manager of ERA Water concluded at the end of May 2017. We thank Colin for his significant contributions to the Project since his appointment in 2015.

Wallbridge Gilbert Aztec (WGA) are continuing to Superintend the Construction Contracts, and are assisting the ERA Water Board with reporting requirements until a General Manager can be appointed, which is anticipated to be in early 2018.

### CONFIDENTIALITY

During 2016-17 financial year, the Board considered nine items where it was necessary to exclude the public from discussion. The table below identifies the grounds on which the Board made this determination

<b>Local Government Act 1999</b>	<b>Description</b>	<b>Number of times used</b>
90(3)(d)	Information relating to commercial information of a confidential nature (not being a trade secret)	9

### FREEDOM OF INFORMATION

No requests were received under the Freedom of Information Act during the 2016-17 financial year

### STAFFING STRUCTURE

ERA Water has not appointed permanent staff but has chosen to contract suitably qualified consultants during the period of construction of the system.

As construction is nearing completion, the ERA Water Board is looking to appoint a General Manager on a fixed term contract. This process will begin in late 2017, with the General Manager to be appointed in early 2018.

The Town of Walkerville have continued to provide financial and clerical, IT and accommodation support services over the 2016-17 financial year.

## LONG TERM FINANCIAL PLAN

The Long Term Financial Plan for ERA Water was prepared in early 2017 and adopted by the Constituent Councils. The Long Term Financial Plan provided a number of assumptions for the scheme's operation, including water sales volumes over the next three years, water prices, expenses and operating costs, and depreciation rates. The Long Term Financial Plan forecasted that ERA Water will generate cash surpluses from the 2020 financial year onwards.

## 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 its Constituent Councils.

## FINANCE AUDIT COMMITTEE

The Audit Committee commenced their roles in the 2016-17 financial year. The work of the Committee over the past financial year has included reviewing the audited Financial Statements, reviewing the draft Long Term Financial Plan, and considering external audit considerations.

The Audit Committee Members are:

- Corinne Garrett (Chairperson)
- Peter Holmes
- Roberto Bria
- John O'Brien

## FINANCIAL STATEMENTS

The Audited Financial Statements for the year ending the 30 June 2017 are provided in the annual report below, which show an operating deficit of \$470,283 and a net surplus of \$6,896,775.

## CONSTRUCTION

### PROJECT DESIGN AND CONSTRUCTION

The 2016-17 financial year saw significant construction progress on the project.

The distribution main pipeline was completed in April 2017, with some minor extensions to service additional reserves occurring until September 2017.

Civil construction works at Felixstow Wetlands and Hamilton Park Reserve Bio Filters are completed, with planting activities continuing until the end of August 2017.

The pump stations and bores have been constructed, including all mechanical and electrical installations. The remediation of Langman Reserve (installing new turf to the impacted areas of the reserve) has continued to September 2017. The Shakespeare Reserve Pump Station and Tank had a delayed start and is due to be completed in late 2017.

The overall network map, showing the distribution pipeline extent, and the treatment and pump station sites is shown on the following page. Construction progress photos which have been taken over the past year at a selection of the sites are also shown on the subsequent pages.

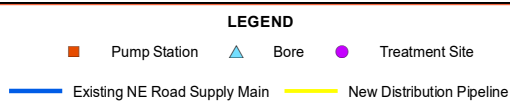
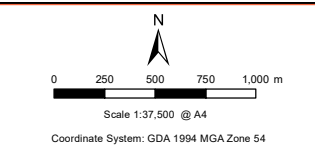
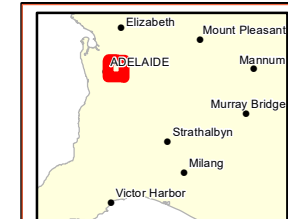
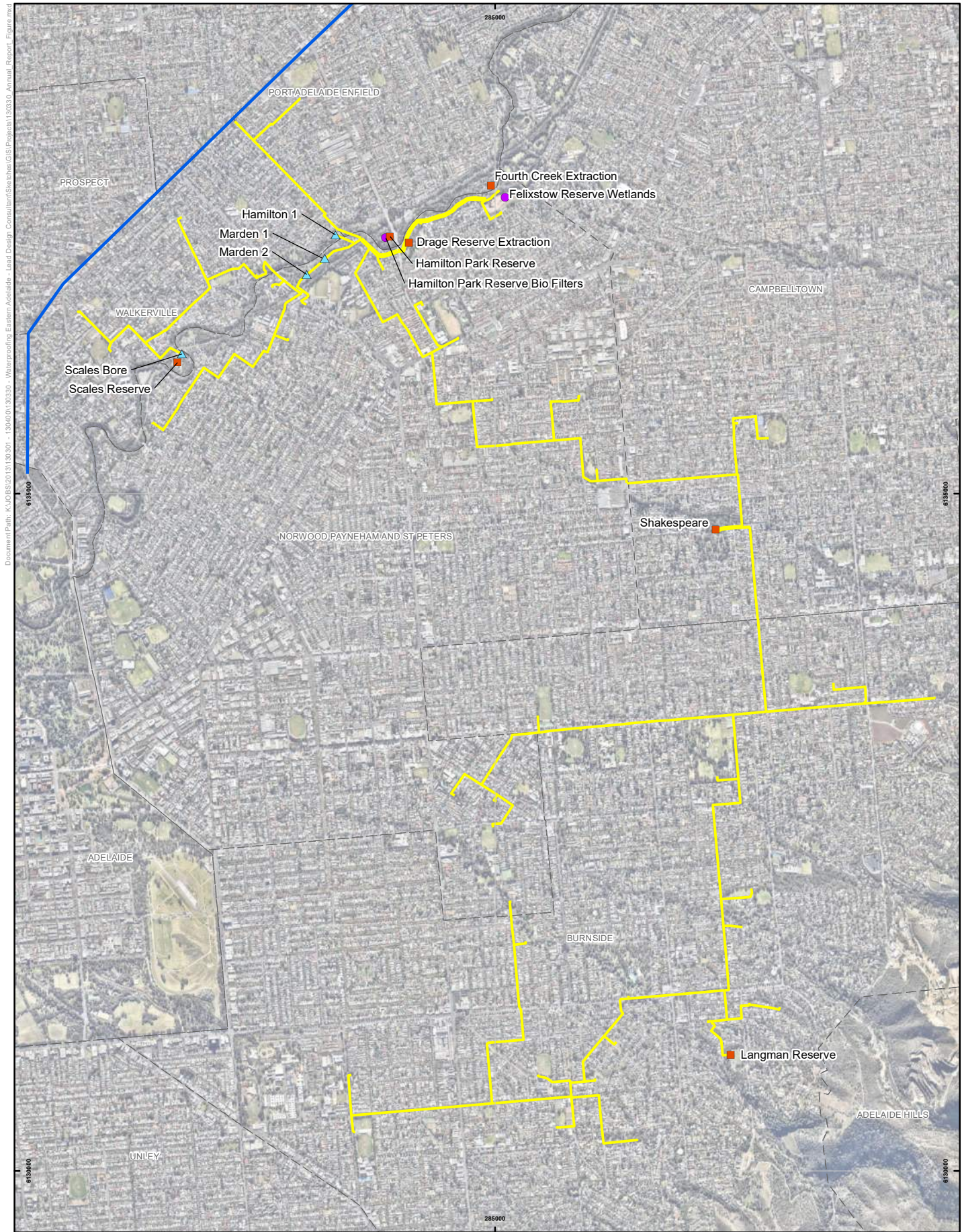
ERA Water were successful in achieving all funding milestones. Commonwealth Milestones 5 and 6 were achieved on time, and the final grant from the Adelaide and Mount Lofty Natural Resources Management Board was also obtained, securing a total of \$9.6 million in Federal and State funding.

Each Constituent Council now has an equity value of \$3.055 million in book value of ERA Water's assets.

### OPERATIONS AND MAINTENANCE

The 2017-18 financial year will be focused on ensuring all elements of the project are commissioned and operational. Guidera O'Connor have been awarded an extension to their contract to perform operation and maintenance services on the scheme from 1 July 2017 to 30 June 2018. Guidera O'Connor will be responsible for commissioning of the entire system, including initiating the stormwater capture, treatment, and injection processes.





**Figure 1**  
Waterproofing Eastern Adelaide  
Infrastructure Layout

Disclaimer: While all reasonable care has been taken to ensure the information contained on this map is up to date and accurate, no guarantee is given that the information portrayed is free from error or omission. Any relevance placed on such information shall be at the risk of the user.  
Note: The information shown on this map is a copyright of WGA 2017

Document Path: K:\GIS\2016\13\130501 - 130601\130530 - Waterproofing Eastern Adelaide - Lead Design Consultant\Sketches\GIS\Projects\130530\_Annual\_Report\_Figure.mxd

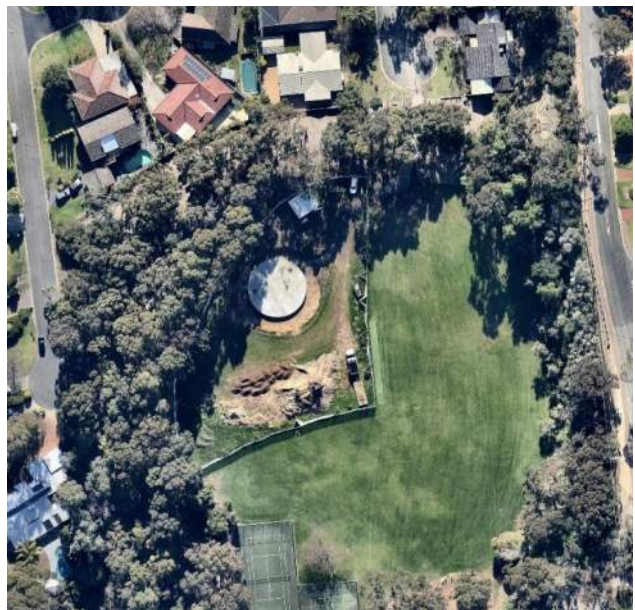


FELIXSTOW RESERVE WETLANDS



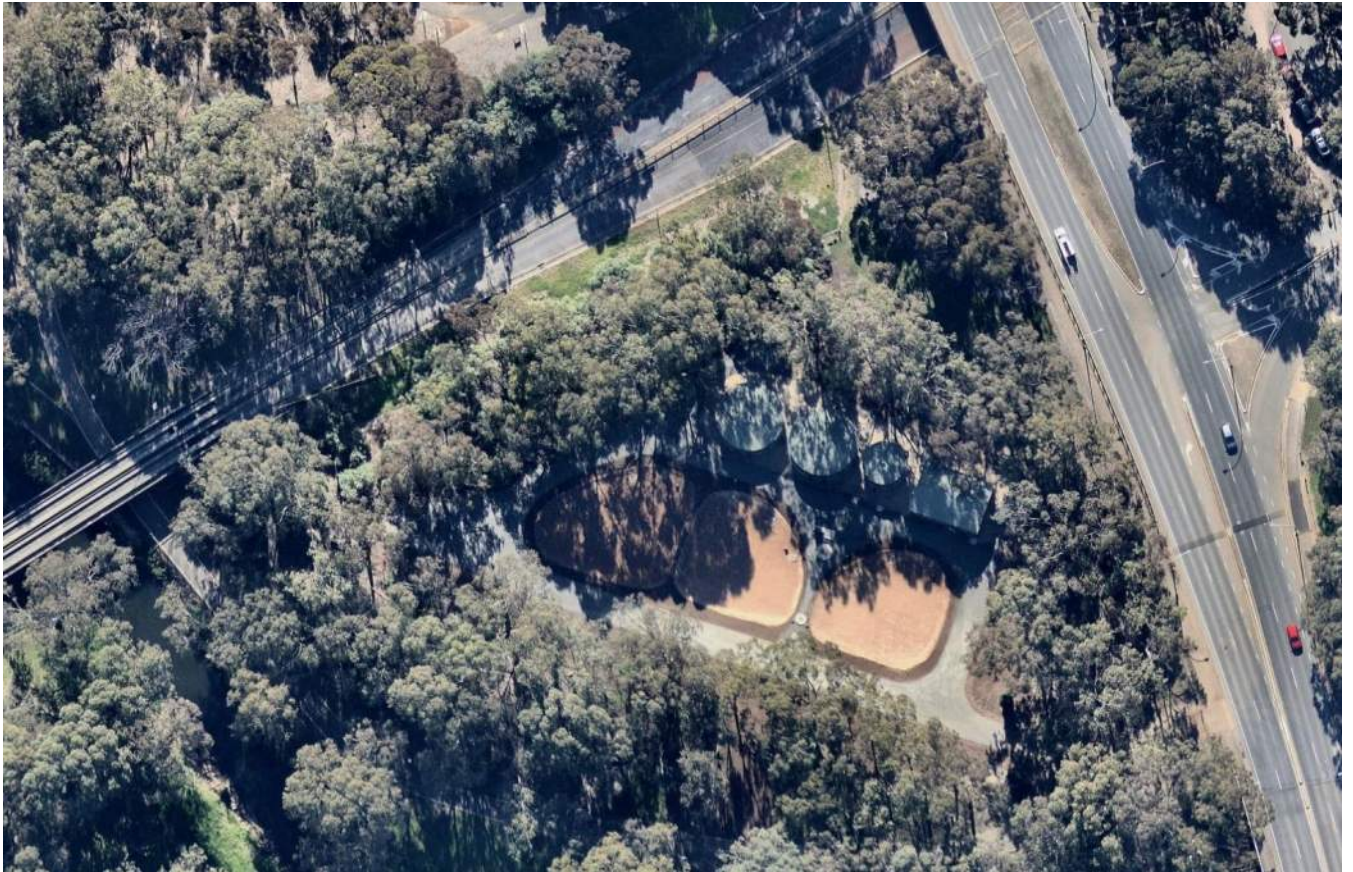


LANGMAN RESERVE PUMP STATION AND UNDERGROUND TANK



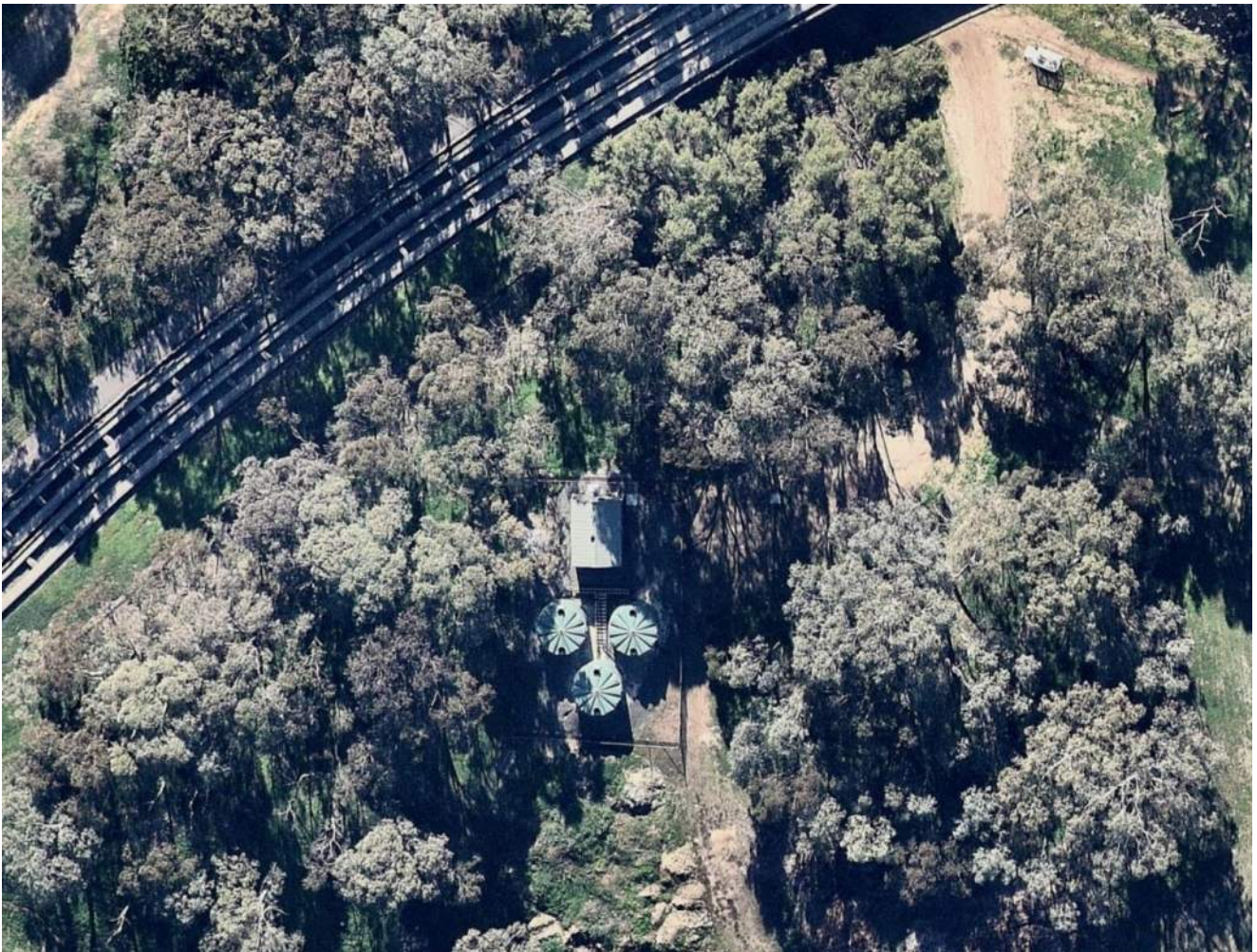


## HAMILTON PARK RESERVE PUMP STATION AND BIO FILTERS





SCALES RESERVE PUMP STATION AND BORE



## WATER SUPPLY

The first 12 months of operation will focus on system commissioning and establishing the plume of treated water in the underground aquifer. Water supply will increase over the next three years as the aquatic plants and plume establishes, and the system's efficiency increases. We forecast the quantity of treated water available for supply to increase in the following increments:

Summer 2018-19	50% of total supply	227ML
Summer 2019-20	80% of total supply	363ML
Summer 2020-21	100% of total supply	454ML

Constituent, and potentially non-Constituent, Councils will be the first customers who will connect to the system. The Councils' demand approximately matches the supply which will be available in summer 2018-19.

In the subsequent two years, ERA Water forecast a large number of other customers, including Private Schools, Department for Education and Child Development Schools, and businesses, to have connected to the system, which will increase the total demand to over 454ML per annum.

# SUMMARY FINANCIAL STATEMENT

General Purpose Financial Statements for the year ended 30 June 2017

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## ERA Water Regional Subsidiary

### General Purpose Financial Statements

for the year ended 30 June 2017

### 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 2017 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.



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Nathan Silby  
**Acting General Manager**



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John O'Brien  
**Chairman**

Date: 28/09/2017



## ERA Water Regional Subsidiary

### Statement of Comprehensive Income

for the year ended 30 June 2017

\$	Notes	2017	2016
<b>Income</b>			
Investment Income	2a	35,900	173,370
Grants, Subsidiaries and Contributions	2b	-	16,442
<b>Total Income</b>		<b>35,900</b>	<b>189,812</b>
<b>Expenses</b>			
Materials, Contracts & Other Expenses	3	506,183	20,043
<b>Total Expenses</b>		<b>506,183</b>	<b>20,043</b>
<b>Operating Surplus / (Deficit)</b>		<b>(470,283)</b>	<b>169,769</b>
Amounts Received Specifically for New or Upgraded Assets	2b	7,367,058	2,099,361
<b>Net Surplus / (Deficit) <sup>1</sup></b>		<b>6,896,775</b>	<b>2,269,130</b>
<b>Other Comprehensive Income</b>			
Nil			
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>		<b>6,896,775</b>	<b>2,269,130</b>

<sup>1</sup> Transferred to Equity Statement

## ERA Water Regional Subsidiary

### Statement of Financial Position

for the year ended 30 June 2017

\$	Notes	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4a	14,452	26,072
Trade & Other Receivables	4b	987,819	1,317,599
<b>Total Current Assets</b>		<b>1,002,271</b>	<b>1,343,671</b>
<b>Non-Current Assets</b>			
Other Non-Current Assets	5	17,872,520	2,099,360
<b>Total Non-Current Assets</b>		<b>17,872,520</b>	<b>2,099,360</b>
<b>TOTAL ASSETS</b>		<b>18,874,792</b>	<b>3,443,031</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	6	690,720	1,173,901
Subtotal		690,720	1,173,901
<b>Total Current Liabilities</b>		<b>690,720</b>	<b>1,173,901</b>
<b>Non-Current Liabilities</b>			
Borrowings	6	9,018,166	-
<b>Total Non-Current Liabilities</b>		<b>9,018,166</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>9,708,887</b>	<b>1,173,901</b>
<b>Net Assets</b>		<b>9,165,905</b>	<b>2,269,130</b>
<b>EQUITY</b>			
Accumulated Surplus		9,165,905	2,269,130
<b>Total Council Equity</b>		<b>9,165,905</b>	<b>2,269,130</b>

## ERA Water Regional Subsidiary

### Statement of Changes in Equity

for the year ended 30 June 2017

\$	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
<b>2017</b>					
<b>Balance at the end of previous reporting period</b>		2,269,130	-	-	2,269,130
<b>a. Net Surplus / (Deficit) for Year</b>		6,896,775			6,896,775
<b>b. Other Comprehensive Income</b>		-	-	-	-
<b>Other Comprehensive Income</b>		-	-	-	-
<b>Total Comprehensive Income</b>		<b>6,896,775</b>	-	-	<b>6,896,775</b>
<b>c. Transfers between Reserves</b>					-
<b>Balance at the end of period</b>		<b>9,165,905</b>	-	-	<b>9,165,905</b>

## ERA Water Regional Subsidiary

### Statement of Cash Flows

for the year ended 30 June 2017

\$	Notes	2017	2016
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Grants, Subsidies and Contributions (operating purpose)		-	44,159
Investment Receipts		35,900	-
Other Receipts		329,780	-
Nil			
<b>Payments</b>			
Payments for Materials, Contracts & Other Expenses		(911,518)	(18,087)
Finance Payments		(77,846)	-
<b>Net Cash provided by (or used in) Operating Activities</b>		<b>(623,684)</b>	<b>26,072</b>
<b>Cash Flows from Investing Activities</b>			
<b>Receipts</b>			
Nil			
Amounts Received Specifically for New/Upgraded Assets		7,367,058	1,408,474
<b>Payments</b>			
Expenditure on New/Upgraded Assets		(15,773,160)	(1,408,474)
<b>Net Cash provided by (or used in) Investing Activities</b>	7	<b>(8,406,103)</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>			
<b>Receipts</b>			
Proceeds from Borrowings		9,018,166	-
<b>Payments</b>			
Nil			
<b>Net Cash provided by (or used in) Financing Activities</b>		<b>9,018,166</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash Held</b>		<b>(11,620)</b>	<b>26,072</b>
plus: Cash & Cash Equivalents at beginning of period	7	26,072	-
<b>Cash &amp; Cash Equivalents at end of period</b>	7	<b>14,452</b>	<b>26,072</b>
<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>14,452</b>	<b>26,072</b>

## ERA Water Regional Subsidiary

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

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# ERA Water Regional Subsidiary

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 1. Summary of Significant Accounting Policies

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The principal accounting policies adopted by ERA Water Regional Subsidiary (ERA Water) in the preparation of these consolidated 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 Historical Cost Convention

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

##### 1.3 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.

##### 1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

#### 2 The Local Government Reporting Entity

ERA Water Regional Subsidiary 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 13.

#### 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.

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



## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 1. Summary of Significant Accounting Policies (continued)

design fees and all other costs incurred. The cost of non-current assets constructed by the 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.

The capitalisation threshold determined by ERA Water is \$1,000 for all asset categories.

#### 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 and useful of assets are reviewed annually.

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to ERA Water, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Stormwater structures	50 years
Other Infrastructure	20 years
Treatment plants	10 years
Bore & Mechanical	30 years
Pump & fittings	15 years
Pipes & conduits	70 years

#### 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 initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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". Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.



# ERA Water Regional Subsidiary

## Notes to and forming part of the Financial Statements for the year ended 30 June 2017

### Note 1. Summary of Significant Accounting Policies (continued)

#### 8 Provisions

##### 8.1 Provisions for Reinstatement, Restoration and Rehabilitation

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

#### 9 Construction Contracts

For works undertaken on a fixed price contract basis, expenses are recognised when claims/milestone payments are received and approved for payment.

#### 10 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.

#### 11 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.



## ERA Water Regional Subsidiary

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of Significant Accounting Policies (continued)

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.

The 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.

#### Effective for periods commencing 1 January 2017:

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

#### Effective for periods commencing 1 January 2018:

- AASB *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

#### Effective for periods commencing 1 January 2019:

- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian*

#### *Implementation Guidance for Not-for-Profit Entities*

- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

#### 12 New accounting standards

This year ERA Water has applied AASB 124 Related Party Disclosures for the first time. As a result ERA Water has disclosed more information about related parties and transactions with those related parties. This information is presented in Note 13.

#### 13 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 2017

### Note 2. Income

\$	Notes	2017	2016
<b>(a). Investment Income</b>			
Interest on Investments		-	-
- Local Government Finance Authority		35,653	173,367
- Banks & Other		247	3
<b>Total Investment Income</b>		<b>35,900</b>	<b>173,370</b>
<b>(b). Grants, Subsidies, Contributions</b>			
Amounts Received Specifically for New or Upgraded Assets		7,367,058	2,099,361
Other Grants, Subsidiaries and Contributions		785,473	16,442
<b>Total Amounts Received Specifically for New or Upgraded Assets</b>		<b>8,152,531</b>	<b>2,115,803</b>
<b>Total Grants, Subsidies, Contributions</b>		<b>8,152,531</b>	<b>2,115,803</b>
<b>(i) Sources of grants</b>			
Commonwealth Government and NRM		8,152,531	2,115,803
<b>Total</b>		<b>8,152,531</b>	<b>2,115,803</b>
<b>Note 3. Expenses</b>			
<b>(a). Materials, Contracts and Other Expenses</b>			
<b>(i) Prescribed Expenses</b>			
Auditor's Remuneration			
- Auditing the Financial Reports		3,600	3,600
<b>Subtotal - Prescribed Expenses</b>		<b>3,600</b>	<b>3,600</b>
<b>(ii) Other Materials, Contracts and Expenses</b>			
Contractors		13,795	13,163
Individually Significant Items - Power Augmentation		412,904	-
Insurance		22,374	-
Legal Expenses		6,839	3,280
Professional Services		25,540	-
Other		21,132	-
<b>Subtotal - Other Material, Contracts &amp; Expenses</b>		<b>502,584</b>	<b>16,443</b>
<b>Total Materials, Contracts and Other Expenses</b>		<b>506,184</b>	<b>20,043</b>
<b>(iii) Individually significant items</b>			
Amounts paid to SAPN to augment the power supply to ERA Water facilities		412,904	-

## ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

### Note 4. Current Assets

\$	Notes	2017	2016
<b>(a). Cash &amp; Cash Equivalents</b>			
Cash on Hand at Bank		14,452	26,072
<b>Total Cash &amp; Cash Equivalents</b>		<b>14,452</b>	<b>26,072</b>
<b>(b). Trade &amp; Other Receivables</b>			
Accrued Revenues		-	20,008
Debtors - General		-	1,121,029
GST Recoupment		987,819	176,562
<b>Subtotal</b>		<b>987,819</b>	<b>1,317,599</b>
<b>Total Trade &amp; Other Receivables</b>		<b>987,819</b>	<b>1,317,599</b>

### Note 5. Non-Current Assets

#### (a). Other Non-Current Assets

Capital Works-in-Progress	17,872,520	2,099,360
<b>Total Other</b>	<b>17,872,520</b>	<b>2,099,360</b>
<b>Total Other Non-Current Assets</b>	<b>17,872,520</b>	<b>2,099,360</b>

## ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

### Note 6. Liabilities

\$	Notes	2017		2016	
		Current	Non Current	Current	Non Current
<b>(a). Trade and Other Payables</b>					
Goods & Services		609,274	-	1,170,301	-
Accrued Expenses - Finance Costs		77,846	-	-	-
Accrued Expenses - Other		3,600	-	3,600	-
<b>Total Trade and Other Payables</b>		<b>690,720</b>	<b>-</b>	<b>1,173,901</b>	<b>-</b>
<b>(b). Borrowings</b>					
Loans		-	9,018,166	-	-
<b>Total Borrowings</b>		<b>-</b>	<b>9,018,166</b>	<b>-</b>	<b>-</b>

### Note 7. Reconciliation to Statement of Cash Flows

\$	2017	2016
<b>(a). Reconciliation of Cash</b>		
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	14,452	26,072
<b>Balances per Statement of Cash Flows</b>	<b>14,452</b>	<b>26,072</b>
<b>(b). Reconciliation of Change in Net Assets to Cash from Investing Activities</b>		
Net Surplus/(Deficit)	<b>6,896,775</b>	<b>2,269,130</b>
Non-Cash Items in Income Statements		
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)	(7,367,058)	(2,099,360)
	<b>(470,283)</b>	<b>169,770</b>
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	329,780	(1,317,599)
Net Increase/(Decrease) in Trade & Other Payables	(483,181)	1,173,901
<b>Net Cash provided by (or used in) operations</b>	<b>(623,684)</b>	<b>26,072</b>

### (c). Financing Arrangements

**Unrestricted access was available at balance date to the following lines of credit:**

LGFA Cash Advance Debenture Facility	12,000,000	-
Undrawn balance	2,981,834	-



## ERA Water Regional Subsidiary

### Notes to and forming part of the Financial Statements for the year ended 30 June 2017

#### Note 8. Financial Instruments

##### Recognised Financial instruments

##### Bank, Deposits at Call, Short Term Deposits

**Accounting Policy:**

Carried at the lower of cost and net realisable value; Interest is recognised when earned.

**Terms & Conditions:**

All deposits are at call earning rates of 0.1%.

**Carrying Amount:**

Approximates fair value due to the short term to maturity.

##### Receivables

**Accounting Policy:**

Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.

**Terms & Conditions:**

Unsecured, and do not bear interest.

**Carrying Amount:**

Approximates fair value (after deduction of any allowance).

##### Liabilities

##### Creditors and Accruals

**Accounting Policy:**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to ERA Water.

**Terms & Conditions:**

Liabilities are normally settled on 30 day terms.

**Carrying Amount:**

Approximates fair value.

## ERA Water Regional Subsidiary

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2017

#### Note 8. Financial Instruments (continued)

\$	Due < 1 year	Due > 1 year & ≤5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
<b>2017</b>					
<b><u>Financial Assets</u></b>					
Cash & Equivalents	26,072	-	-	26,072	14,452
Receivables	987,819	-	-	987,819	987,819
Other Financial Assets	-	-	-	-	-
<b>Total Financial Assets</b>	<b>1,013,891</b>	<b>-</b>	<b>-</b>	<b>1,013,891</b>	<b>1,002,271</b>
<b><u>Financial Liabilities</u></b>					
Payables	612,874	77,846	-	690,720	690,720
Current Borrowings	-	-	-	-	-
Non-Current Borrowings	-	-	9,018,166	9,018,166	9,018,166
<b>Total Financial Liabilities</b>	<b>612,874</b>	<b>77,846</b>	<b>9,018,166</b>	<b>9,708,887</b>	<b>9,708,887</b>
<b>2016</b>					
<b><u>Financial Assets</u></b>					
Cash & Equivalents	26,072	-	-	26,072	26,072
Receivables	1,317,599	-	-	1,317,599	1,317,599
Other Financial Assets	-	-	-	-	-
<b>Total Financial Assets</b>	<b>1,343,671</b>	<b>-</b>	<b>-</b>	<b>1,343,671</b>	<b>1,343,671</b>
<b><u>Financial Liabilities</u></b>					
Payables	1,173,901	-	-	1,173,901	1,173,901
Current Borrowings	-	-	-	-	-
Non-Current Borrowings	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>1,173,901</b>	<b>-</b>	<b>-</b>	<b>1,173,901</b>	<b>1,173,901</b>

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

	30 June 2017		30 June 2016	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	3.75%	9,018,166	3.75%	-
		<b>9,018,166</b>		<b>-</b>

#### 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.

# ERA Water Regional Subsidiary

## Notes to and forming part of the Financial Statements

for the year ended 30 June 2017

### Note 8. Financial Instruments (continued)

#### 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. ERA Water has only a variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

### Note 9. Uniform Presentation of Finances

\$	2017	2016
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	35,900	189,812
less Expenses	(506,183)	(20,043)
<b>Operating Surplus / (Deficit)</b>	<b>(470,283)</b>	<b>169,769</b>
<b>less Net Outlays on Existing Assets</b>		
Capital Expenditure on Renewal and Replacement of Existing Assets	-	-
less Depreciation, Amortisation and Impairment	-	-
less Proceeds from Sale of Replaced Assets	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>
<b>less Net Outlays on New and Upgraded Assets</b>		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	16,736,589	1,408,474
less Amounts Received Specifically for New and Upgraded Assets	(7,367,058)	(2,099,361)
less Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	-
<b>Subtotal</b>	<b>9,369,531</b>	<b>(690,887)</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(9,839,814)</b>	<b>860,656</b>



## ERA Water Regional Subsidiary

### Notes to and forming part of the Financial Statements

for the year ended 30 June 2017

#### 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 has recognised the potential losses arising historical net cost (including insurance excess) of similar types of claims. 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 2017, 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 30/09/17.

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

#### Note 12. Expenditure Commitments

##### Capital Commitments

ERA Water is contractually committed to the following expenditure;

	Remaining contract	Completion Date
Pipeline drilling & construction	1,315,953	October 2017
Mechanical & Electrical	522,133	December 2017
Civil works	211,702	September 2017

There are additional capital works required for the completion of the project, however there is no contractual commitment for these works as at the 30 June 2017.



# ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements  
for the year ended 30 June 2017

## Note 13. Related Party Transactions

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\$ 2017

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### Key Management Personnel

#### Transactions with Key Management Personnel

The Key Management Personnel of the Authority are the General Manager and the membership of the Board  
In all, 4 persons were paid the following total compensation: \$110,357

#### The compensation paid to Key Management Personnel comprises:

Contracted payments for services	110,357
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#### 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 equal 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 IT, Marketing, Secretarial and Accounting services.

Amounts paid as direct reimbursement of expenses incurred on behalf of ERA Water have not been included above.

ERA Water Regional Subsidiary

General Purpose Financial Statements  
for the year ended 30 June 2017

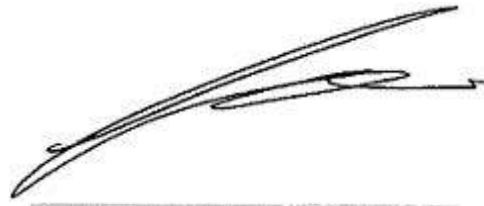
Certification of Auditor Independence

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 2017, the ERA Water's Auditor, Dean Newbery and Partners has maintained its independence 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*.



Nathan Silby  
Acting General Manager



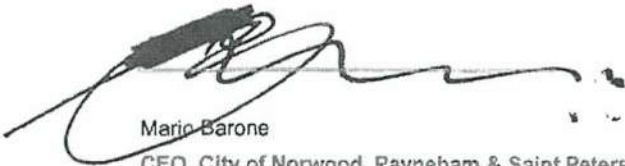
Corinne Garrett  
Presiding Member, Audit Committee



Kiki Magro  
CEO, Town of Walkerville



Paul Deb  
CEO, City of Burnside



Mario Barone  
CEO, City of Norwood, Payneham & Saint Peters

**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 2017, 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 ALLARD**  
**PARTNER**

Signed on the 29<sup>th</sup> day of September 2017,  
at 214 Melbourne Street, North Adelaide, South Australia 5006