

ANNUAL REPORT

2017-18

ERA WATER



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.

BRYAN JENKINS

ERA WATER CHAIRMAN

ABOUT ERA WATER

ERA Water Regional Subsidiary (ERA Water) is a regional subsidiary established on 21 July 2015 under Section 43 of the *Local Government Act 1999* which through 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 Council
- The City of Norwood, Payneham and St Peters
- The City of Burnside

PURPOSE

ERA Water came into existence as a result of the Waterproofing Eastern Adelaide project (the Project) which was 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, through the collaborative long-term joint undertaking of the three Constituent Councils, is to implement and manage a water recycling scheme which captures, treats, stores and delivers stormwater for irrigation purposes and to sell this water to the Constituent Councils and other customers at a cheaper rate than purchasing water from SA Water. The scheme involves the establishment of wetlands, 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 540 ML of water per annum) as well as 46km of distribution pipe network across each of the three Constituent Council areas. The distribution network is designed to deliver recycled water to Constituent Council reserves as well as to other potential customers in these areas and beyond (see Attachment showing a plan of the ERA Water network).

ERA Water expects to ultimately sell 458 ML per annum of water (84.8% of forecast availability), of which 214.7 ML per annum is committed to the three Constituent Councils on a 'take or pay' basis. An additional 243.3 ML per annum is forecast to be sold to other customers.

In forming the Subsidiary, the Constituent Councils recognised the need to deliver for their ratepayers and residents enhanced and improved services by the most efficient and cost effective means possible. Thus, in addition to the financial benefit of reducing operational spending on local reserve irrigation for the constituent Councils, ERA Water will assist to green suburbs and improve the quality of water that is discharged into the Gulf.

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 seven formal meetings during the 2017-18 financial year. The table below details Board Member attendance at each meeting.

	Member	Meetings Attended
Independent Chairperson	John O'Brien	5
City of Burnside (Independent Member)	Geoff Vogt	7
City of Norwood Payneham and St Peters	John Minney	6
Corporation of the Town of Walkerville	Kiki Magro	5
	David Whiting (Deputy)	2

John O'Brien resigned as Independent Chairperson at the Board meeting on 27 March 2018 and Geoff Vogt, Independent Member for City of Burnside was subsequently appointed as Acting Independent Chairperson until a new Independent Chairperson (Bryan Jenkins) was appointed on 11 July 2018 to replace John O'Brien.

Following the completion of Colin Pitman's contract as Acting General Manager of ERA Water at the end of May 2017, Nathan Silby from Wallbridge Gilbert Aztec undertook the role of Acting General Manager of ERA Water until 26 March 2018 when Brian Maguire was formally appointed as General Manager of ERA Water on a fixed term contract.

CONFIDENTIALITY

During the 2017-18 financial year, the Board considered reports of a confidential nature at five meetings 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)	5

GOVERNANCE

FREEDOM OF INFORMATION

No requests were received under the Freedom of Information Act during the 2017-18 financial year

STAFFING STRUCTURE

ERA Water appointed a General Manager (Brian Maguire) on a fixed term contract, commencing on 26 March 2018.

Apart from the General Manager, no other permanent staff were appointed by ERA Water

during the year.

The Town of Walkerville continued to provide ERA Water with financial, administrative and Board secretarial support functions and services throughout the 2017-18 financial year.

In addition, the City of Burnside provided temporary office accommodation and IT support for the new General Manager from 26 March 2018 until 31 May 2018.

FY2018 BUDGET and LONG TERM FINANCIAL PLAN

The Budget FY2017-18 and Long Term Financial Plan (LTFP) for ERA Water was prepared in early 2017 and subsequently adopted by the Constituent Councils. The Long Term Financial Plan included a number of assumptions regarding 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 forecasts 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 the Constituent Councils.

FINANCE AUDIT COMMITTEE

The ERA Water Audit Committee held three meetings in the 2017-18 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, reviewing ERA Water's risk register, providing recommendations on financial and accounting policy matters, and considering external audit matters.

The Audit Committee Members in 2017-18 were:

- Corinne Garrett (Chairperson)
- Peter Holmes
- Roberto Bria
- John O'Brien (until his resignation on 27 March 2018)

As the two-year term of these Audit Committee members expired on 27 May 2018, the unanimous approval of the Constituent Councils was sought and obtained to re-appoint the three external independent members of the Committee (Corinne Garrett, Peter Holmes and Roberto Bria) for a further two-year term, effective from 28 May 2018.

It is also intended to seek the unanimous approval of the Constituent Councils to appoint the new Independent Chairperson of ERA Water as the fourth member of the Audit Committee, once the appointment of the new Independent Chairperson has been made.

FINANCIAL STATEMENTS

The Audited Financial Statements for the year ending the 30 June 2018 are provided in the annual report below and show an Operating Deficit of \$205,267 and Total Council Equity of \$8,960,638.

PROJECT

DESIGN AND CONSTRUCTION

The construction of the various components of the ERA Water scheme required under the scope of works outlined in the Federal Government Grant were successfully completed in July 2017. The remaining works to finalise the Shakespeare Reserve Booster Pump Station and Storage Tank, and the remediation of the Langman Reserve Underground Storage Tank site, were subsequently completed in late 2017.

Construction of Council Reserve irrigation connections are due to commence in September 2018. There are close to 50 reserves throughout the Town of Walkerville, City of Norwood Payneham & St Peters and City of Burnside areas. ERA Water will be coordinating the reserve connections on behalf of the Constituent Councils to ensure consistency of connections across the network.

The 3 major construction contracts were completed by the following Contractors in 2017-18:

- Distribution Network (Approx 40 Km) – SADB
- Electrical and mechanical works (pump stations, bores and control systems) – Guidera O'Connor
- Wetlands and Biofilters – SEM

It should be noted that during the construction period one bore was drilled downstream of Lower Portrush Road, but this bore was not connected to the system due to its low yield.

In addition, planting of the wetlands and biofilters was completed by LCS.

OPERATIONS AND MAINTENANCE

Guidera O'Connor are continuing to operate the scheme and undertake commissioning and maintenance activities. Guidera O'Connor's focus has been on injecting as much water as possible into the aquifer while still commissioning the scheme.

As at the end of June 2018, approximately 8.3 ML of water had been treated and injected into aquifer, across all four bores. In addition, approximately 30 ML of water had been harvested and used for commissioning activities (but not injected into the aquifer) including, filling of the wetlands, testing of the distribution network, flushing of the biofilters and testing of components. (i.e. the total volume of water harvested as at 30 June 2018 was approximately 38 ML)

The operations and commissioning activities that Guidera O'Connor have undertaken include:

- Flushing of biofilters
- Monitoring bore pressures and aquifer responses
- Injection in automatic mode and monitoring system responses
- Increasing injection flowrates to find maximum and optimum injection rates
- Increasing flows into biofilters to determine capacities and optimum flow rates
- Filling of the distribution network
- Testing of distribution pump stations
- Water quality monitoring
- Testing system shut off limits and shutdown/restart procedures
- Compliance testing (licence requirements)
- Control system function
- Critical control point setting adjustment based on operational performance
- Pump testing
- SCADA testing and refinement to display operational data
- Air valve testing and maintenance
- Screen maintenance

- UV system operation and maintenance
- System optimisation

LCS have been engaged to manage the landscaping in the initial phases of the project, including responsibility for weed control, plant watering (when system was not operational), algae removal and biofilter raking.

HARVEST & WATER SUPPLY

Harvesting of stormwater for the scheme did not commence until late April / early May 2018, due to some initial equipment operational issues that were unable to be resolved until there was flow in the system. Also, the very light summer rains did not provide enough flows to enable system commissioning and testing to be commenced any earlier.

The catchment was very dry leading into the winter rains, which resulted in shorter than usual tail water flows in Third Creek and Fourth Creek, thereby impacting harvest potential. Site observations have since indicated that the catchment is more reactive to rainfall once sufficient falls have been received to wet the catchment soils.

Next financial year (2018-19) the project focus will be on completing system commissioning of the scheme, establishing the plume of treated water in the underground aquifer and supplying the available volume of water to the Constituent Councils for irrigation of council reserves.

Water supply availability is expected to increase over the next three years as the aquatic plants and injection plume become established, and the efficiency of the system increases.

In 2015-16 the following annual water supply availability targets were initially forecast for the scheme:

2016-17 (Year 1)	Nil	Construction of the scheme
2017-18 (Year 2)	22.7 ML	5% of scheme water supply capacity
2018-19 (Year 3)	227 ML	50% of scheme water supply capacity
2019-20 (Year 4)	363 ML	80% of scheme water supply capacity
2020-21 (Year 5)	454 ML	100% of scheme water supply capacity

As mentioned above, the total volume of water harvested in 2017-18 (as at 30 June 2018) was 38 ML compared to the initial forecast of 22.7 ML for this same year.

However, based on the current actual bore operational capacities, and noting that one bore has not been connected to the system due to its low yield, the initial forecast water supply availability target for next year (2018-19) of 227 ML (or 50% of scheme capacity) has been downgraded and is now predicted to be between 100 ML to 120 ML, or 22% to 26% of the scheme water supply capacity.

It should also be noted that these annual water supply targets are rainfall dependent and will need to be verified when the long-term capacities of the current bores can be confirmed during the commissioning process.

Long term average rainfall and 2018 rainfall data has been provided in the section below for reference.

Based on current information, at least one more production bore will need to be added to the scheme to achieve the target harvest (water availability) volumes.

The Constituent Councils will be the first customers to be connected to the scheme in 2018-19. Connection of the Council reserves to the water distribution network will allow testing of the network prior to any other external customers being connected.

Over the next two years, ERA Water will seek to connect other customers, including non-Constituent Councils, private schools, Department for Education and Child Development schools, private sporting complex's and other businesses, to match water supply demand with availability.

The forecast total annual water supply demand from the Constituent Councils, based on historical irrigation water consumption data, is approximately 215 ML per year (or 47% of the scheme's water supply capacity)

RAINFALL DATA

The following rainfall figures have been taken from the Bureau of Meteorology's (BoM) Felixstow weather station.

Rainfall Adelaide																	
	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total				
Mean rainfall (mm)	20.6	15.6	26.8	39.0	60.9	76.5	77.5	67.8	59.6	41.9	29.5	29.1	550.6	40	1977 2018		
Decile 5 (median) rainfall (mm)	19.6	10.4	19.9	33.2	62.1	76.6	70.5	69.2	54.8	36.4	28.6	23.2	537.0	42	1977 2018		
Mean number of days of rain ≥ 1 mm	3.0	2.1	3.6	5.4	9.0	10.8	12.3	12.0	9.3	6.4	4.7	4.5	83.1	41	1977 2018		
2018	6	5.4	5.0	23.4	66.4	37.8	42.8	76.0					262.8				

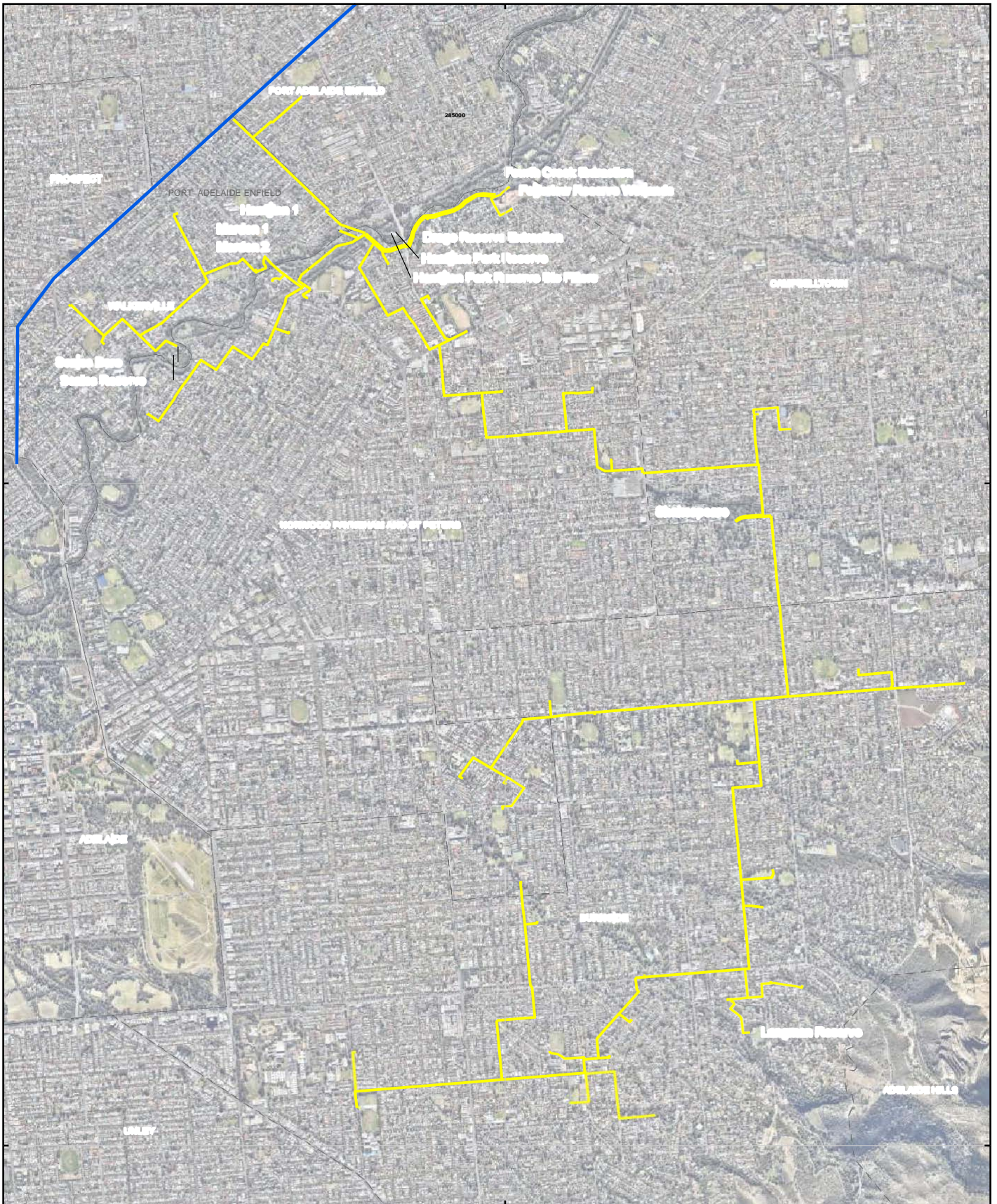
The following information is also provided on the Bureau's website:

Greater Adelaide in July 2018: driest July since 1997

Rainfall in July was below average throughout Adelaide and the Hills. Averaged across Greater Adelaide as a whole, it was the driest July since 1997. Both daytime and night time temperatures were warmer than average in most suburbs.

Drier than average

- July rainfall was below average at all reporting sites in Adelaide and the Hills
- For the Greater Adelaide region as a whole, it was the driest July since 1997
- Monthly rainfall at Adelaide (Kent Town) was close to average with a count of 17 rain days during the month, similar to the long-term average count of 16 rain days in July
- Rainfall totals ranged from 46% of average at Edinburgh RAAF to 87% of average at Kent Town
- Some sites in the northeast of Adelaide had their [lowest total July rainfall since 1997](#)



WGA
WALLBRIDGE GILBERT
AETEC

FELIXSTOW WETLANDS



HAMILTON PARK RESERVE PUMP STATION AND BIOFILTERS



LANGMAN RESERVE PUMP STATION AND UNDERGROUND TANK



March 2017



June 2017



October 2017



SHAKESPEARE RESERVE BOOSTER PUMP STATION



SCALES RESERVE PUMP STATION AND BORE



ERA WATER



ERA Water Regional Subsidiary

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*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 2018

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ERA Water Regional Subsidiary

General Purpose Financial Statements for the year ended 30 June 2018

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 2018 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.



Brian Maguire
General Manager



Bryan Jenkins
Chairperson

Date: 15 October 2018

ERA Water Regional Subsidiary

Statement of Comprehensive Income

for the year ended 30 June 2018

\$	Notes	2018	2017
Income			
Investment Income	2a	2,116	35,900
Grants, Subsidiaries and Contributions	2b	-	-
Total Income		2,116	35,900
Expenses			
Employee Costs	3a	43,223	-
Materials, Contracts & Other Expenses	3b	164,160	506,183
Total Expenses		207,383	506,183
Operating Surplus / (Deficit)		(205,267)	(470,283)
Amounts Received Specifically for New or Upgraded Assets	2b	-	7,367,058
Net Surplus / (Deficit)		(205,267)	6,896,775
Other Comprehensive Income			
Nil		-	-
Total Other Comprehensive Income		-	-
Total Comprehensive Income		(205,267)	6,896,775

ERA Water Regional Subsidiary

Statement of Financial Position

for the year ended 30 June 2018

\$	Notes	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	4a	9,517	14,452
Trade & Other Receivables	4b	10,316	987,819
Subtotal		19,833	1,002,271
Non-Current Assets Held for Sale	5	-	-
Total Current Assets		19,833	1,002,271
Non-Current Assets			
Other Non-Current Assets	5	20,783,106	17,872,520
Total Non-Current Assets		20,783,106	17,872,520
TOTAL ASSETS		20,802,939	18,874,792
LIABILITIES			
Current Liabilities			
Trade & Other Payables	6	170,795	690,720
Borrowings	6	-	-
Provisions	6	3,339	-
Other Current Liabilities	6	-	-
Subtotal		174,135	690,720
Total Current Liabilities		174,135	690,720
Non-Current Liabilities			
Borrowings	6	11,668,166	9,018,166
Total Non-Current Liabilities		11,668,166	9,018,166
TOTAL LIABILITIES		11,842,301	9,708,887
Net Assets		8,960,638	9,165,905
EQUITY			
Accumulated Surplus		8,960,638	9,165,905
Total Council Equity		8,960,638	9,165,905

ERA Water Regional Subsidiary

Statement of Changes in Equity

for the year ended 30 June 2018

\$	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
2018					
Balance at the end of previous reporting period		9,165,905	-	-	9,165,905
Restated Opening Balance		9,165,905	-	-	9,165,905
a. Net Surplus / (Deficit) for Year		(205,267)	-	-	(205,267)
b. Other Comprehensive Income		-	-	-	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		(205,267)	-	-	(205,267)
c. Transfers between Reserves		-	-	-	-
Balance at the end of period		8,960,637	-	-	8,960,637

ERA Water Regional Subsidiary

Statement of Cash Flows

for the year ended 30 June 2018

\$	Notes	2018	2017
Cash Flows from Operating Activities			
Receipts			
Grants, Subsidies and Contributions (operating purpose)		-	-
Investment Receipts		2,116	35,900
Other Receipts		977,503	329,780
Nil			
Payments			
Payments to Employees		(39,884)	-
Payments for Materials, Contracts & Other Expenses		(684,085)	(1,067,210)
Finance Payments			77,846
Net Cash provided by (or used in) Operating Activities		255,650	(623,684)
Cash Flows from Investing Activities			
Receipts			
Nil			
Amounts Received Specifically for New/Upgraded Assets			7,367,058
Payments			
Expenditure on New/Upgraded Assets		(2,910,586)	(15,773,160)
Net Cash provided by (or used in) Investing Activities	7	(2,910,586)	(8,406,103)
Cash Flows from Financing Activities			
Receipts			
Proceeds from Borrowings		2,650,000	9,018,166
Payments			
Nil			
Net Cash provided by (or used in) Financing Activities		2,650,000	9,018,166
Net Increase (Decrease) in Cash Held		(4,935)	(11,621)
plus: Cash & Cash Equivalents at beginning of period	7	14,451	26,072
Cash & Cash Equivalents at end of period	7	9,516	14,451
Total Cash, Cash Equivalents & Investments		9,516	14,451

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

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 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.

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.

1.4 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.

1.5 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.

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

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

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

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.

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 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.

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

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

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 2018

Note 2. Income

\$	Notes	2018	2017
(a). Investment Income			
Interest on Investments			
- Local Government Finance Authority		2,116	35,653
- Banks & Other			247
Total Investment Income		2,116	35,900
(b). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		-	7,367,058
Total Grants, Subsidies, Contributions		-	7,367,058
Note 3. Expenses			
(a). Employee Costs			
Salaries and Wages		36,881	-
Employee Leave Expense		2,839	-
Superannuation		3,504	-
Total Operating Employee Costs		43,223	-
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		3,800	3,600
Subtotal - Prescribed Expenses		3,800	3,600
(ii) Other Materials, Contracts and Expenses			
Contractors		-	13,795
Individually Significant Items - Power Augmentation		-	412,904
Insurance		53,254	22,374
Legal Expenses		-	6,839
Parts, Accessories & Consumables		-	-
Professional Services		40,050	25,540
Other		67,056	21,132
Subtotal - Other Material, Contracts & Expenses		160,360	502,584
Total Materials, Contracts and Other Expenses		164,160	506,184
(iii) Individually significant items			
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 2018

\$	Notes	2018	2017
Note 4. Current Assets			
(a). Cash & Cash Equivalents			
Cash on Hand at Bank		9,517	14,452
Total Cash & Cash Equivalents		9,517	14,452
(b). Trade & Other Receivables			
Accrued Revenues		-	-
Debtors - General		-	-
GST Recoupment		10,316	987,819
Subtotal		10,316	987,819
Total Trade & Other Receivables		10,316	987,819
Note 5. Non-Current Assets			
(a). Other Non-Current Assets			
Capital Works-in-Progress		20,783,106	17,872,520
Total Other		20,783,106	17,872,520
Total Other Non-Current Assets		20,783,106	17,872,520

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 6. Liabilities

\$	Notes	2018 Current	2018 Non Current	2017 Current	2017 Non Current
(a). Trade and Other Payables					
Goods & Services		42,840	-	609,274	-
Accrued Expenses - Finance Costs		104,978	-	77,846	-
Accrued Expenses - Salaries		5,269	-	-	-
Accrued Expenses - Other		17,709	-	3,600	-
Total Trade and Other Payables		170,795	-	690,720	-
(b). Borrowings					
Loans		-	11,668,166	-	9,018,166
Total Borrowings		-	11,668,166	-	9,018,166
(c). Provisions					
Employee Entitlements (including oncosts)		3,339	-	-	-
Other		-	-	-	-
Total Provisions		3,339	-	-	-

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

Note 7. Reconciliation to Statement of Cash Flows

\$	2018	2017
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(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	9,517	14,452
Balances per Statement of Cash Flows	9,517	14,452

(b). Reconciliation of Change in Net Assets to Cash
from Investing Activities

Net Surplus/(Deficit)	(205,267)	6,896,775
Non-Cash Items in Income Statements		
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)	-	(7,367,058)
	(205,267)	(470,283)
Add (Less): Changes in Net Current Assets		
Net (Increase)/Decrease in Receivables	977,503	329,780
Net Increase/(Decrease) in Trade & Other Payables	(516,585)	(483,181)
Net Cash provided by (or used in) operations	255,651	(623,684)

(c). Financing Arrangements

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

LGFA Cash Advance Debenture Facility	13,000,000	12,000,000
Undrawn balance	1,331,834	2,981,834

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 8. Financial Instruments

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2018					
<u>Financial Assets</u>					
Cash & Equivalents	9,517	-	-	9,517	9,517
Receivables	10,316	-	-	10,316	10,316
Other Financial Assets	-	-	-	-	-
Total Financial Assets	19,833	-	-	19,833	19,833

Financial Liabilities

Payables	174,135	-	-	174,135	174,135
Current Borrowings	-	-	-	-	-
Non-Current Borrowings	-	-	11,668,166	11,668,166	11,668,166
Total Financial Liabilities	174,135	-	11,668,166	11,842,301	11,842,301

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2017					
<u>Financial Assets</u>					
Cash & Equivalents	26,072	-	-	26,072	-
Receivables	987,819	-	-	987,819	987,819
Other Financial Assets	-	-	-	-	-
Total Financial Assets	1,013,891	-	-	1,013,891	987,819

Financial Liabilities

Payables	612,874	77,846	-	690,720	-
Current Borrowings	-	-	-	-	-
Non-Current Borrowings	-	-	9,018,166	9,018,166	9,018,166
Total Financial Liabilities	612,874	77,846	9,018,166	9,708,886	9,018,166

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

	30 June 2018		30 June 2017	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other Variable Rates	3.60%	11,668,166	3.75%	9,018,166
		11,668,166		9,018,166

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 2018

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 Waterl will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Mangement 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

\$	2018	2017
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	2,116	35,900
less Expenses	<u>(207,383)</u>	<u>(506,183)</u>
Operating Surplus / (Deficit)	(205,267)	(470,283)
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	-	-
less Depreciation, Amortisation and Impairment	-	-
less Proceeds from Sale of Replaced Assets	<u>-</u>	<u>-</u>
Subtotal	-	-
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	2,910,586	16,736,589
less Amounts Received Specifically for New and Upgraded Assets	-	(7,367,058)
less Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	<u>-</u>	<u>-</u>
Subtotal	2,910,586	9,369,531
Net Lending / (Borrowing) for Financial Year	(3,115,853)	(9,839,814)

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

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 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 2018, 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 2018.

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
Project Management	144,335	March 2019
Wetland maintenance	21,176	November 2018
Scheme operations and commissioning	86,000	November 2018

ERA Water Regional Subsidiary

Notes to and forming part of the Financial Statements for the year ended 30 June 2018

Note 13. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

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

- Geoff Vogt (Acting Chairperson)
- Kiki Magro (Chief Executive - Corporation of the Town of Walkerville)
- John Minney (Councillor - City of Norwood, Payneham and St Peters)
- John O'Brien (former Chairperson)

Compensation paid to Key Management Personnel during the financial year:

Brian Maguire received employment entitlements to the value of \$43,233 in relation to his role as General Manager of ERA Water.

Geoff Vogt received sitting fees to the value of \$682 in relation to his role as Acting Chairperson of ERA Water.

John O'Brien received sitting fees to the value of \$6,720 in relation to his role as Chairperson of ERA Water.

Kiki Magro and John Minney received \$nil compensation.

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 IT support (Internet connection for remote access to SCADA system), Board and Audit Committee secretarial support and Bookkeeping / Accounting services for the whole of the financial year.

City of Burnside provided furnished office accommodation for ERA Water General Manager from 26 March to 31 May 2018, as well as a laptop computer, printer and computer software (MS Office) for period 26 March to 30 June 2018.

**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 2018, 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 16th day of October 2018,
at 214 Melbourne Street, North Adelaide, South Australia 5006

INDEPENDENT AUDITOR'S REPORT

To the members of the Eastern Region Alliance Water Regional Subsidiary

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report, being a general purpose financial report, of the Eastern Region Alliance Water Regional Subsidiary (the entity), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Certification of Financial Statements on the annual statements giving a true and fair view of the financial position and performance of the entity.

In our opinion, the accompanying financial report of the Entity is in accordance with the requirements of the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards (including Australian Accounting Interpretations), including;

- (i) giving a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the year then ended; and
- (ii) that the financial records kept by the entity are such as to enable financial statements to be prepared in accordance with Australian Accounting Standards.

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 entity in accordance with the auditor independence requirements of 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.

Responsibilities of Management for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and has determined that the basis of preparation described in Note 1 is appropriate to meet the need of the directors. Management's responsibility also includes such internal control as Management determines is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the entity'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.

The management of the entity are responsible for overseeing the entity'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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's 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 entity 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 16th day of October 2018,
at 214 Melbourne Street, North Adelaide