

ANNUAL REPORT 15-16

ERA WATER



City of
Norwood
Payneham
& St Peters

TOWN OF



WALKERVILLE

ERA WATER ANNUAL REPORT 2015-16

MESSAGE FROM THE CHAIRPERSON	4
ACTING GENERAL MANAGER'S REPORT	5
ABOUT ERA WATER	6
GOVERNANCE	7
Board of Management	7
Freedom of Information	7
Annual Business Plan	8
Charter	8
Finance Audit Committee	8
Financial Statements	8
CONSTRUCTION PROGRAM	9
Pipe Construction	9
Electrical and Mechanical Construction	9
Civil Works Construction	9
Marketing	9
SUMMARY FINANCIAL STATEMENT	14



MESSAGE FROM THE CHAIRPERSON

Eastern Region Alliance Water (ERA Water) is the first subsidiary established in accordance with the South Australian Local Government Act to capture, store and market urban stormwater.

ERA Water has the role to use sustainable supplies of Urban Stormwater that is captured from urban water systems at Third and Fourth Creek. ERA Water cleans and treats the water and stores it in the underground aquifer. The Water is later 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 is funded through grants from the Commonwealth Government and the Adelaide and Mount Lofty Natural Resources Management Board along with borrowings by ERA Water. Construction commenced in March 2016 and is scheduled to be completed by June 2017. This is an exciting project and from a governance and technical aspect is world leading.

The constituent councils of ERA Water are those of Walkerville, Burnside and Norwood, Payneham & St Peters. They are to be congratulated in their leadership in supporting the project and consequent benefits that it provides 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 and the design and construction teams for bringing this exciting project towards its fruition. I look forward to reporting on its successful completion in 2017.

JOHN O'BRIEN
ERA WATER CHAIRMAN

ACTING GENERAL MANAGER'S REPORT

In developing this report it is important to acknowledge the significant role the constituent councils have had in the formation of the subsidiary resulting in the ministerial ascent to the formation of the subsidiary in July 2015. The considerable financial and technical evaluation that was required to ensure that the confidence of the constituent councils enabled the project to commence construction with strong foundations already in place.

The period following the formation of the subsidiary involved a substantial effort in successfully seeking an extension of time for completion date for construction from the Commonwealth Government from the original date of June 2016 to the revised date of June 2017.

The assistance of the Acting Chairperson Kiki Magro along with the local Members of Parliament and the continued support of the ERA Water board through some particularly challenging issues at this time is acknowledged.

In addition, the agreement with the NRM board was renewed and an updated budget and contract was agreed with the Commonwealth Department of Water. In completing all of these approvals, considerable detailed information on designs and tendered amounts was prepared, including the execution of the Electrical Mechanical Contract.

To meet the agreed construction schedule, upon finalisation of the funding, the purchase of pipes was undertaken and pre-construction notification of the community was commenced. Community communication was initiated through radio, local press releases and through the project website and has been completed very effectively.

The construction of the pipelines has started with no notable issues arising. There has been slightly more rock encountered during drilling by the contractor than anticipated but this is still within the contingency sums allowed for in the budget.

Updates on progress of the project has been regularly reported to both the ERA Water Board and the constituent councils. Details have included maps of the completed works, detailed financial reports including both positive and negative variations and compliance with the risk plan.

The Board has met at least bi-monthly and has adopted policies in relation to financial and governance issues as required by legislation and in accordance with best practice board governance procedures. This has provided the framework in which the project is being delivered by the design and construction team.

The project is in its construction and marketing phase with key priorities being ensuring that the critical risks are minimized by focusing on meeting the construction schedule and budget and working to ensure customers are secured to drive revenue growth in the early years of the project's operations. The budget forecast is being refined on a regular basis to track progress and monitor variations.

Planning for the post construction period and the commissioning of the decision support system to ensure customer demand in the first year of delivery is underway and will be developed as the construction moves towards completion.

I wish to thank the constituent council and Board for their sincere and committed approach to the project through some challenging times to bring the project to one that is nearing reality and is on target achieve all of the construction and marketing targets in the business plan.

COLIN PITMAN
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 the 21st of July of 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 Tea Tree Gully Council and Campbelltown Councils. 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 of Local Government.

GOVERNANCE

BOARD OF MANAGEMENT

The constituent councils individually nominated a board member each and the Chairperson was appointed after a ROI and appraisal process member the approval of the constituent councils.

The board members are:

City of Norwood Payneham and St Peters	Mario Barone
City of Burnside	Paul Deb
Corporation of the Town of Walkerville	Kiki Magro
Independent Chairperson	John O'Brien

Interim Meetings were held up until the appointment of the Chairman with Kiki Magro nominated as the Acting Chairperson.

The key responsibility of board appointees pending the appointment of the Independent Chairperson was to secure an extension of time for the completion of the project from the commonwealth funding partner.

The Acting General Manager Colin Pitman was appointed by ERA Water in December 2015.

FREEDOM OF INFORMATION

No requests were received under the Freedom of Information Act during the 2015/16 financial year.

STAFFING STRUCTURE

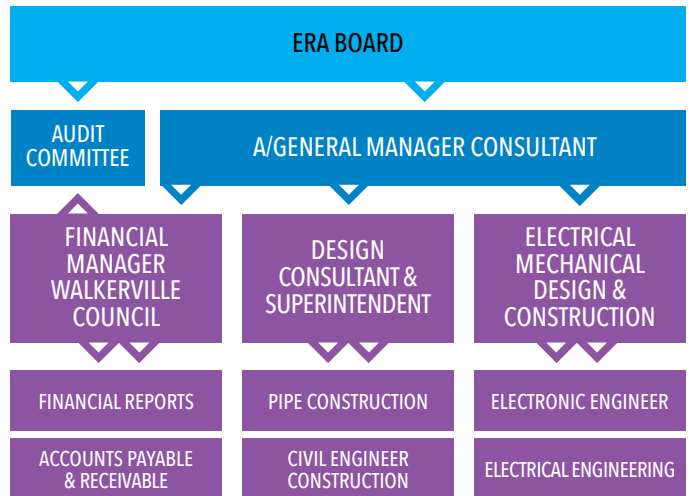
ERA Water has not appointed permanent staff but has chosen to contract suitably qualified consultants during the period of construction of the facility.

The Structure of the consulting team is depicted below.

The external funding financial relationship has for simplicity been negotiated between the external funding authorities and the Town of Walkerville. ERA Water has a contract with the Town of Walkerville to expend those funds in compliance with the Commonwealth and the Adelaide and Mount Lofty Natural Resources Management Authority contracts.

The Town of Walkerville have been contracted to provide financial and clerical, IT and accommodation support services.

Diagram of consulting team and the relationship between the funding bodies.



GOVERNANCE

ANNUAL BUSINESS PLAN

ERA Water as an entity was unfunded until March of 2016. Therefore the Board adopted the feasibility and financial analysis as prepared by the Town of Walkerville as the pro forma for seeking the funds from the Commonwealth.

The Project Manager / Acting General Manager was funded from surplus funds from Water Proofing the East Stage 1 and was initially retained by the Town of Walkerville and was subsequently appointed after funding was secured.

The first objective of ERA Water was to secure funds to ensure the feasibility analysis and business plan could be implemented. ERA Water and the Town of Walkerville negotiated an agreed a budget based upon the financial analysis and the prudential review with firm quotations from the pipe and electrical/mechanical contractors and estimates of the cost for civil works.

The receipt of the funding by the board in March 2016 enabled the board to let contracts to ensure ERA Water could meet the Commonwealth contracted completion date of June 2017.

CHARTER

The charter for ERA Water was approved by the Minister of Local Government on the 21st of July 2015. The charter sets out the responsibilities of ERA Water including its governance financial and its responsibilities to its constituent councils.

FINANCE AUDIT COMMITTEE

Members of the Audit Committee have been appointed and will commence their roles in the 2016/17 financial year. The work of the committee will include reviewing the audited Financial Statements and reviewing a draft long term financial plan and considering external audit considerations.

FINANCIAL STATEMENTS

The Audited Financial Statements for the year ending the 30th June 2016 are provided in the annual report below they show an operating surplus of \$2,143,403.



CONSTRUCTION PROGRAM

PROJECT DESIGN AND CONSTRUCTION

In 2011 the Eastern Region Alliance was successful in obtaining Commonwealth Funding to proceed with the feasibility study for and on behalf of five eastern suburbs councils. The work involved Hydrogeological analysis site investigations and detailed financial analyses.

The Feasibility study for project was undertaken on behalf of five of the regional Councils. On completion of a Business case analysis and a prudential review two councils withdrew from the project. The delivery of the project is now being undertaken by ERA Water with Walkerville, Norwood, Payneham and St Peters and Burnside councils. The same Target Performance measures as were adopted for the three councils as was the case for the five councils.

The Business Case Analysis and the prudential review were undertaken on behalf of the three councils and each council approved the charter. The minister of Local Government approved the charter and it was gazette on 21st of July 2015.

The target completion date set by the Commonwealth (June 2016) was not achievable and ERA Water developed a strategy to have the date of completion extended to June 2017. The Commonwealth approved the extension of the completion date in late December and the new commonwealth and NRM Agreements were signed by the parties in February/ March 2016.

The contract with the commonwealth was preconditioned on a milestone report and financial audit and confirmed contracts with the Electrical and Mechanical Contract which did not permit construction to commencement until March / April of 2016.

The Construction program consists of four principle contracts:

- Project Management and General Manager extended in April
- Design and superintendence (LDC) extended to stage 2 in March
- Pipe Construction using horizontally directional boring techniques commenced in March
- Electrical Mechanical Electronic (ECI) contracts commenced in April
- Civil and landscape Works contracts yet to be tendered.

MARKETING

The financial viability of the project relies on securing customer contracts.

The Business plan identifies the following customers:

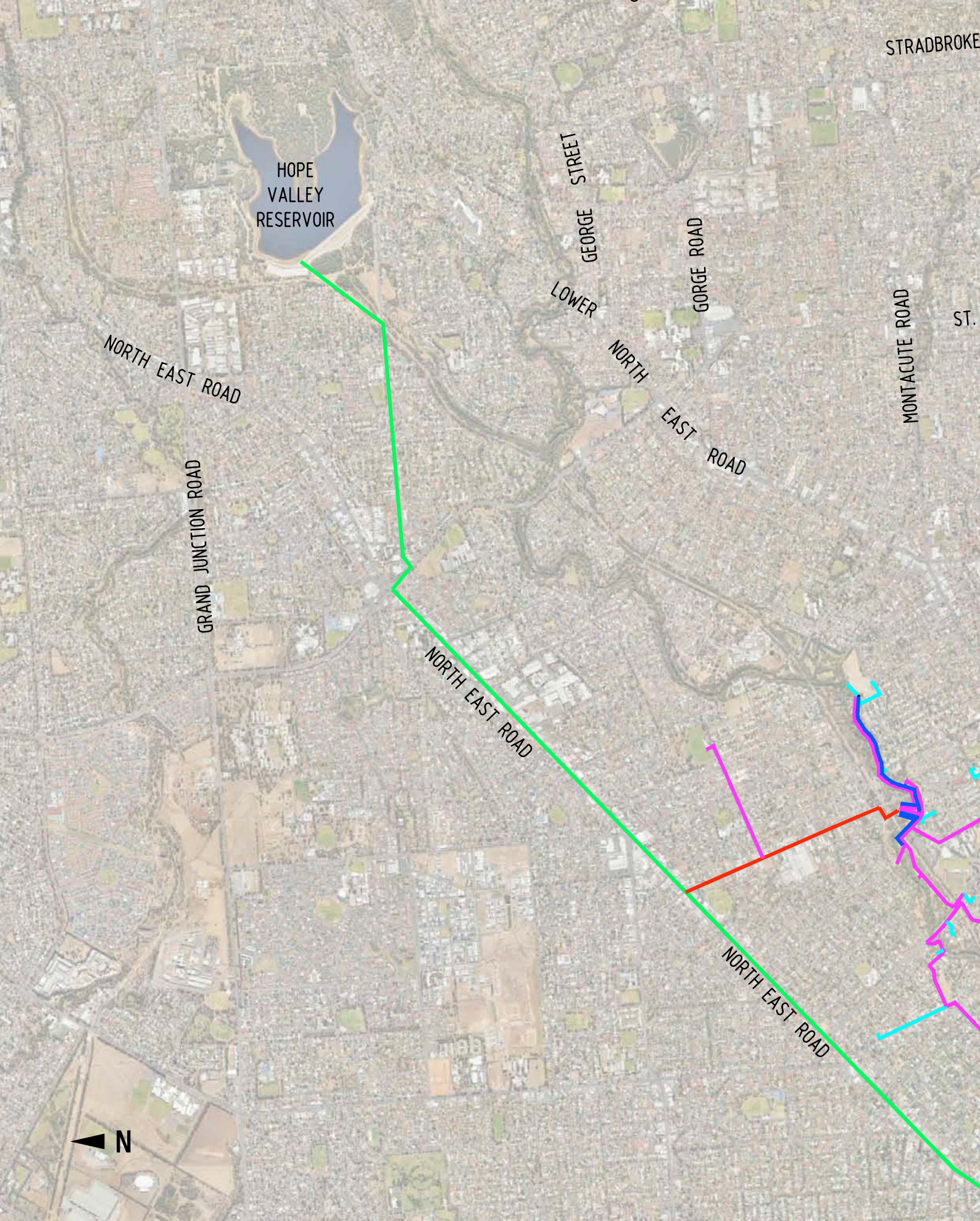
- 1 The consumption by the Constituent Councils
- 2 Consumption by State Schools
- 3 Consumption by Private Schools
- 4 Consumption by customers in Port Adelaide Enfield, Prospect, Campbelltown and Tea Tree Gully councils
- 5 Private Businesses.

The consumption by customers other than the constituent councils north of the project has been facilitated by the purchase of 9.5km of disused SA Water pipe along Nottage Terrace, North East Road and Lyons Road. This has opened up the potential for a large number of customers other than the Port Adelaide Enfield Council to be connected.

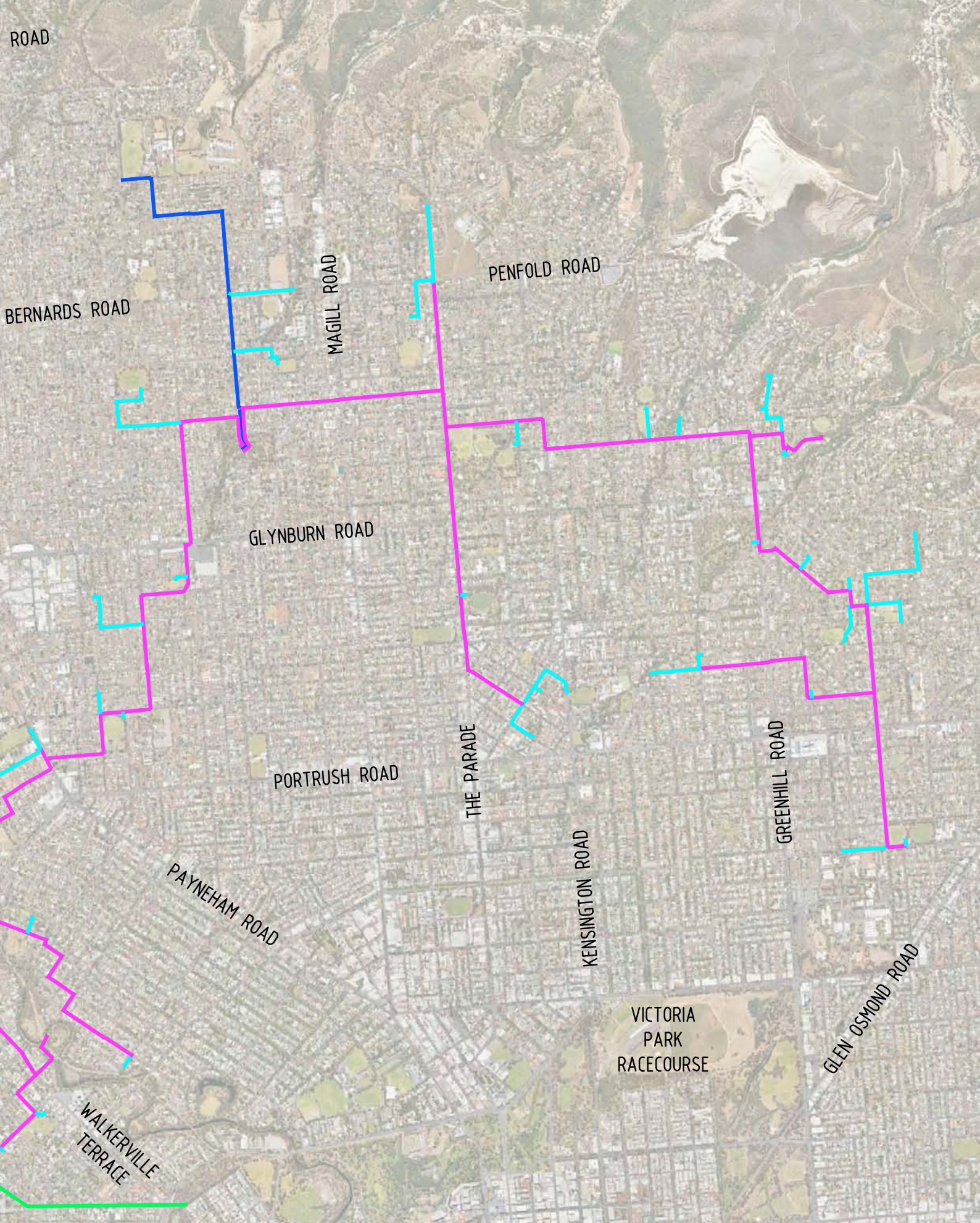
The business plan currently relies on sales of in excess of 454 ML which is currently made up of the following:

- 1 Constituent councils 237 ML
- 2 Private Schools and Public Schools 193 ML
- 3 Port Adelaide Enfield, Prospect and Tea Tree Gully and Campbelltown 55 ML.

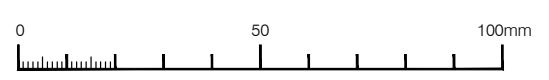
Securing contracts is a high priority.



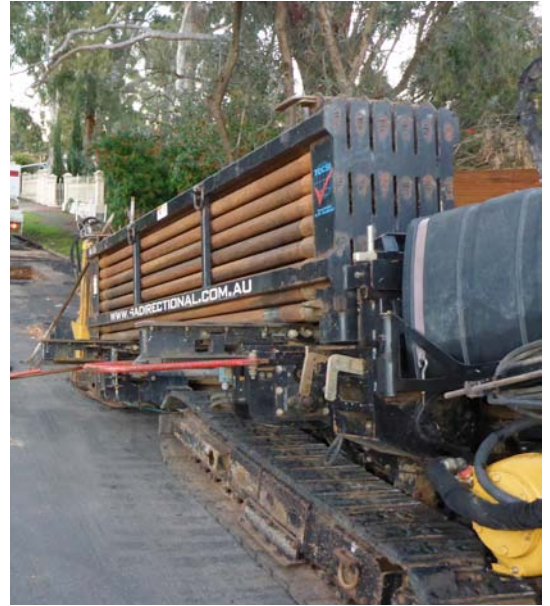
WATERPROOFING THE EAST



- RECYCLED WATER FEEDER MAIN (Ø125 HDPE)
- RECYCLED WATER FEEDER MAIN (Ø180 HDPE)
- RECYCLED WATER TRUNK MAIN (Ø280 HDPE)
- RECYCLED WATER TRUNK MAIN (Ø315 HDPE)
- EXISTING SUPPLY MAIN



WATERPROOFING THE EAST







SUMMARY FINANCIAL STATEMENT

General Purpose Financial Statements for the year ended 30 June 2016

Contents

1. Certification of Financial Statements	15
2. Primary Financial Statements:	
• Statement of Comprehensive Income	16
• Statement of Financial Position	17
• Statement of Changes in Equity	18
• Statement of Cash Flows	19
3. Notes to the Financial Statements	20
4. Independent Auditor's Report – Financial Statements	
5. Certificates of Audit Independence	
• ERA Water Certificate of Audit Independence	36
• Audit Certificate of Audit Independence	37

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 2016 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.



Colin Pitman
Acting General Manager



John O'Brien
Chairman

Date:

Statement of Comprehensive Income

for the year ended 30 June 2016

\$	Notes	2016	2015
Income			
Investment Income	2a	173,370	
Grants, Subsidies and Contributions	2b	16,442	-
Total Income		189,812	-
Expenses			
Materials, Contracts & Other Expenses	3a	20,043	-
Total Expenses		20,043	-
Operating Surplus / (Deficit)		169,769	-
Amounts Received Specifically for New or Upgraded Assets	2b	2,099,361	-
Net Surplus / (Deficit) ¹		2,269,130	-
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Nil			
Total Other Comprehensive Income		-	-
Total Comprehensive Income		2,269,130	-

¹ Transferred to Equity Statement

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

Statement of Financial Position
as at 30 June 2016

\$	Notes	2016	2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	4a	26,072	-
Trade & Other Receivables	4b	1,317,599	-
Total Current Assets		1,343,671	-
Non-Current Assets			
Other Non-Current Assets	5	2,099,360	-
Total Non-Current Assets		2,099,360	-
TOTAL ASSETS		3,443,031	-
LIABILITIES			
Current Liabilities			
Trade & Other Payables	6	1,173,901	-
Total Current Liabilities		1,173,901	-
Non-Current Liabilities			
Nil		-	-
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		1,173,901	-
Net Assets		2,269,130	-
EQUITY			
Accumulated Surplus		2,269,130	-
Total Council Equity		2,269,130	-

Statement of Changes in Equity

for the year ended 30 June 2016

\$	Notes	Asset			Total Equity
		Accumulated Surplus	Revaluation Reserve	Other Reserves	
2016					
Balance at the end of previous reporting period					
		-	-	-	-
a. Net Surplus / (Deficit) for Year		2,269,130	-	-	2,269,130
b. Other Comprehensive Income		-	-	-	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		2,269,130	-	-	2,269,130
c. Transfers between Reserves		-	-	-	-
Balance at the end of period		2,269,130	-	-	2,269,130

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

Statement of Cash Flows
for the year ended 30 June 2016

\$	Notes	2016	2015
Cash Flows from Operating Activities			
<u>Receipts</u>			
Grants, Subsidies and Contributions (operating purpose)		44,159	-
<u>Payments</u>			
Operating Payments to Suppliers and Employees		(18,087)	-
Net Cash provided by (or used in) Operating Activities		26,072	-
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		1,408,474	-
<u>Payments</u>			
Expenditure on New/Upgraded Assets		(1,408,474)	-
Net Cash provided by (or used in) Investing Activities	7	-	-
Cash Flows from Financing Activities			
<u>Receipts</u>			
Nil			
<u>Payments</u>			
Nil			
Net Cash provided by (or used in) Financing Activities		-	-
Net Increase (Decrease) in Cash Held		26,072	-
plus: Cash & Cash Equivalents at beginning of period	7	-	-
Cash & Cash Equivalents at end of period	7	26,072	-
Total Cash, Cash Equivalents & Investments		26,072	-

Notes to and forming part of the Financial Statements for the year ended 30 June 2016

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Significant Accounting Policies	21
2	Income	26
3	Expenses	27
	Current Assets	
4a	Cash & Cash Equivalents	28
4b	Trade & Other Receivables	28
	Non-Current Assets	
5	Other Non-Current Assets	29
	Liabilities	
6	Trade & Other Payables	30
	Reserves	
7	Reconciliation to Statement of Cashflows	30
8	Financial Instruments	31
9	Uniform Presentation of Finances	34
10	Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet	35
11	Events After the Balance Sheet Date	35

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

Note 1. Summary of Significant Accounting Policies

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 dollars.

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

Note 1. Summary of Significant Accounting Policies (continued)

assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by 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, useful lives and residual values of classes 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 "Borrowing Costs". 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

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

As a result, ERA Water will be required to measure its financial assets, including its investment in XYZ at fair value. There will be no financial impact on the consolidated financial statements.

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.

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 July 2016:

- AASB 1056 *Superannuation Entities*
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* [AASB 10, AASB 124 & AASB 1049]

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 16 *Leases*

12 Comparative Figures

ERA Water was incorporated on 21 July 2015 and therefore does not have comparative data to disclose.

13 Disclaimer

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

Note 2. Income (continued)

\$	Notes	2016	2015
(a). Investment Income			
Interest on Investments		-	-
- Local Government Finance Authority		173,367	-
- Banks & Other		3	-
Total Investment Income		173,370	-
(b). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		2,099,361	-
Other Grants, Subsidies and Contributions		16,442	-
Total Grants, Subsidies, Contributions		2,115,803	-
(i) Sources of grants			
Other		2,115,803	-
Total		2,115,803	-
(ii) Individually Significant Items			
Nil			

Note 3. Expenses

\$	Notes	2016	2015
(a). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration		3,600	-
- Auditing the Financial Reports		3,600	-
Subtotal - Prescribed Expenses		3,600	-
(ii) Other Materials, Contracts and Expenses			
Contractors		13,163	-
Legal Expenses		3,280	-
Subtotal - Other Material, Contracts & Expenses		16,443	-
Total Materials, Contracts and Other Expenses		20,043	-

Note 4. Current Assets

\$	Notes	2016	2015
(a). Cash & Cash Equivalents			
Cash on Hand at Bank		26,072	-
Total Cash & Cash Equivalents		26,072	-
(b). Trade & Other Receivables			
Accrued Revenues		20,008	-
Debtors - General		1,121,029	-
GST Recoupment		176,562	-
Subtotal		1,317,599	-
Less: Allowance for Doubtful Debts		-	-
Total Trade & Other Receivables		1,317,599	-

Note 5. Non-Current Assets

\$	Notes	2016	2015
 (a). Other Non-Current Assets			
Capital Works-in-Progress		2,099,360	-
Total Other		2,099,360	-
 Total Other Non-Current Assets		 2,099,360	 -

Note 6. Liabilities

\$	Notes	2016 Current	2016 Non Current	2015 Current	2015 Non Current
(a). Trade and Other Payables					
Goods & Services		1,170,301	-	-	-
Accrued Expenses - Other		3,600	-	-	-
Total Trade and Other Payables		1,173,901	-	-	-

Note 7. Reconciliation to Statement of Cash Flows

(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	5	26,072	-
Balances per Statement of Cash Flows		26,072	-

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

Net Surplus/(Deficit)		2,269,130	-
Non-Cash Items in Income Statements			
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(2,099,360)	-
		169,770	-
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(1,317,599)	-
Net Increase/(Decrease) in Trade & Other Payables		1,173,901	-
Net Cash provided by (or used in) operations		26,072	-

Note 8. Financial Instruments

\$

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & Conditions: All deposits are at call earning rates of 0.1%.</p> <p>Carrying Amount: Approximates fair value due to the short term to maturity.</p>
Receivables	<p>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.</p> <p>Terms & Conditions: Unsecured, and do not bear interest. ERA Water only material exposure is to The Corporation of the Town of Walkerville</p> <p>Carrying Amount: Approximates fair value (after deduction of any allowance).</p>
Liabilities Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the ERA Water</p> <p>Terms & Conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying Amount: Approximates fair value.</p>

Note 8. Financial Instruments (continued)

\$	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2016					
<u>Financial Assets</u>					
Cash & Equivalents	26,072	-	-	26,072	26,072
Receivables	1,317,599	-	-	1,317,599	1,317,599
Other Financial Assets	-	-	-	-	-
Total Financial Assets	1,343,671	-	-	1,343,671	1,343,671
<u>Financial Liabilities</u>					
Payables	1,173,901	-	-	1,173,901	1,173,901
Current Borrowings	-	-	-	-	-
Non-Current Borrowings	-	-	-	-	-
Total Financial Liabilities	1,173,901	-	-	1,173,901	1,173,901

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.

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 the ERA Water is the carrying amount, net of any allowance for doubtful debts. All investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated with the Town of Walkerville, and there is no material exposure to any other individual debtor.

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

Note 9. Uniform Presentation of Finances

\$	2016	2015
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils and subsidiaries in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils and subsidiaries provide a common 'core' of financial information, which enables meaningful comparisons of each Council's and subsidiaries's finances.</p>		
Income	189,812	-
<i>less</i> Expenses	(20,043)	-
Operating Surplus / (Deficit)	169,769	-
<i>less</i> Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	-	-
<i>less</i> Depreciation, Amortisation and Impairment	-	-
<i>less</i> Proceeds from Sale of Replaced Assets	-	-
Subtotal	-	-
<i>less</i> Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	1,408,474	-
<i>less</i> Amounts Received Specifically for New and Upgraded Assets	(1,408,474)	-
<i>less</i> Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	-
Subtotal	-	-
Net Lending / (Borrowing) for Financial Year	169,769	-

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.

1. REPAYMENT OF CAPITAL INCOME

Should ERA Water not meet the milestone obligations in the completion of the storm water harvesting project it may be obliged to return unused funds.

2. 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 from claims known at reporting date based on average 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 2016, 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 13/09/16.

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

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 2016, the Council's Auditor, Dean Newbery and Partners has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act

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



Colin Pitman
Acting General Manager



Corinne Garrett
PRESIDING MEMBER, AUDIT COMMITTEE



Kiki Magro
CEO, Town of Walkerville



Paul Deb
CEO, City of Burnside



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

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

I confirm that, for the audit of the financial statements of the Eastern Region Alliance Water for the year ended 30 June 2016, 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 30th day of September 2016,
at 214 Melbourne Street, North Adelaide, South Australia 5006.

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

We have audited the accompanying financial report of the Eastern Region Alliance Water, which comprises the Statement of Financial Position as at 30 June 2016 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Certification of Financial Statements.

The Responsibility of the Executive Officer for the Financial Report

The Executive Officer of the Eastern Region Alliance Water is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud and error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Officer, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011 and the Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Eastern Region Alliance Water as of 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and the Australian Accounting Standards (including Australian Accounting Interpretations).

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS



SAMANTHA ALLARD
PARTNER

Signed on the 30th day of September 2016,
at 214 Melbourne Street, North Adelaide, South Australia 5006.

Office:
214 Melbourne Street
North Adelaide SA 5006

All Correspondence:
PO Box 755
North Adelaide SA 5006

T: (08) 8267 4777
F: (08) 8239 0895
E: admin@deannewbery.com.au

Liability limited by a scheme approved under Professional Standards Legislation

ERA WATER

The logo for ERA WATER is centered on a white background. It features the words "ERA WATER" in a bold, dark blue, sans-serif font. Below the text is a decorative graphic consisting of several overlapping, wavy lines in shades of light blue, creating a sense of movement and water.