Local Government Association of South Australia

Consolidated Financial Report

For the Year Ended 30 June 2022

Local Government Association of South Australia

Contents

For the Year Ended 30 June 2022

Board Members' Report
30 June 2022

The Board members present the financial report of the Local Government Association of South Australia and its controlled entities ("the Group") for the financial year ended 30 June 2022 and the auditor's report thereon.

Board members

The names of the Directors currently in office are:

Mayor Gillian Aldridge	
Mayor Claire Boan	
Mayor Angela Evans	
Mayor Heather Holmes-Ross	(appointed 2 May 2022)
Mayor Dean Johnson	(appointed 2 March 2022)
Mayor Peter Mattey	
Mayor Clare McLaughlin	
Mayor David O'Loughlin	
Mayor Keith Parkes	
Mayor Erika Vickery	

The following were Directors in Office from the beginning of the financial year, unless otherwise stated and resigned during the year:

Mayor Sam Telfer	(resigned 31 December 2021)
Mayor Erin Thompson	(resigned 19 March 2022)
Lord Mayor Sandy Verschoor	(appointed 28 Feburary, resigned 29 March 2022)

Board members have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activities

The Group consists of the following entities, Local Government Association of South Australia (LGA), LGASA Mutual Pty Ltd (LGASA Mutual), Local Government Mutual Liability Scheme (LGAMLS), Local Government Workers Compensation Scheme (LGAWCS) and LGCS Pty Ltd as trustee for LGCS Trust No.1 (LGA Procurement). The principal activities of the Group during the financial year were as follows:

LGA

The LGA is a membership based peak body that provides leadership, advocacy and services to and on behalf of the member councils of South Australia.

LGASA Mutual

LGASA Mutual is wholly owned by the LGA, formed to provide independent strategic oversight of the LGAMLS and LGAWCS and to oversee the day to day service delivery contract held by Marsh Pty Ltd.

LGAMLS

The Scheme is a mutual risk product that offers discretionary indemnity and claims management service to its members in respect of their potential and actual civil liabilities. These services are provided to Local Government in South Australia and include the provision of risk management services to minimise the occurrence of civil liabilities and the provision of claims management services.

LGAWCS

The Scheme is a mutual risk product that offers discretionary indemnity and injury management services to its members in respect of their potential and actual liabilities that arise under the provisions contained in the Return to Work Act 2014 (RTW Act). These services are provided to Local Government in South Australia, and include the provision of claims management, worker rehabilitation and occupational health and safety management services, to minimise the occurrence of workers compensation liabilities.

Board Members' Report
30 June 2022

Principal activities

LGA Procurement

LGA Procurement provides procurement services to all South Australian councils and related entities. These services include training, templates and a large range of contracts providing benefits from aggregating procurement and specialty skills.

Results and review of operations for the year

The overall surplus for the Group for the financial year before special distributions and other items was $4,261,928 (2021FY deficit: $1,405,081). After the special distributions to scheme members and a gain from the revaluation of the investment in Local Government House the total comprehensive surplus was $6,948,413 (2021FY: $525,312). The results for each of the entities before inter-entity eliminations are as follows:

LGA

The LGA is reporting an operating surplus of the $884,256 in the 2022FY (2021FY $494,703). This comprises of an operating surplus from ordinary operations of $1,164,074 (2021FY $135,234) and a surplus in project activity of $(279,818) (2021FY $359,469) . After the gain on investment property of $3,060,388 (2021FY $1,629,223) and net gain on disposal of assets of $15,287 (2021FY net loss $17,067) the Net Surplus is $3,959,931 (2021FY $2,106,859).

LGASA Mutual

In the 2022FY, LGASA Mutual is reporting an operating surplus of $19,072 compared with a $8,627 deficit in the 2021FY.

LGAMLS

The operating deficit for the 2022FY amounted to $712,979 (2021FY: deficit of $585,263) inclusive of payments to the risk incentive program of $256,035 (2021FY: $575,402). There were no special distribution to members in 2022FY or 2021FY.

LGAWCS

The operating surplus for the 2022FY amounted to $874,730 (2021FY: deficit of $183,768) inclusive of payments to the risk incentive program of $344,940 (2021FY: $856,301) and before the special distribution to members of $Nil (2021FY: $1,500,000). The net surplus for the year was $874,730 (2021FY: deficit of $1,683,768).

LGA Procurement

The operating surplus for the 2022FY was $121,168 compared to a surplus of $93,875 in the 2021FY.

Significant changes in the state of affairs

In the opinion of the Board members, there have been no other significant changes in the state of affairs of the entities in the Group during the year.

Likely developments

Information about the likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report.

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory of Australia. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

Board Members' Report

30 June 2022

Impact of COVID19

COVID19 has not had a material financial impact on the Group nor a significant impact on its operations.

Indemnification and insurance of officers and auditors

The Board members have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the members of the Board and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

Signed in accordance with a resolution of the Members of the Board:

President: ....
Mayor Angela Evans

Chief Executive Officer:..
Clinton Jury

Dated this ....23rd.............. day of ......September...... 2022

Statement of Surplus/(Deficit) and Other Comprehensive Income

For the Year Ended 30 June 2022

		Consolidated		Parent	
		2022	2021	2022	2021
Revenue and income from continuing operations	**Note**	**$**	**$**	**$**	**$**
Member contributions	7	**35,092,159**	33,627,722	**-**	-
Grant revenue		**2,087,458**	3,462,157	**2,172,458**	3,864,162
Subscriptions		**2,429,685**	2,370,421	**2,429,685**	2,370,421
Other revenue	7	**8,472,702**	5,737,304	**8,071,060**	5,711,355
Finance income		**944,649**	1,252,146	**575,021**	666,216
Total revenue from continuing operations		**49,026,653**	**46,449,750**	**13,248,224**	**12,612,154**
Expenses					
Employee benefits expense		**(6,808,266)**	(7,144,024)	**(5,396,801)**	(5,906,142)
Risk management, levies and other scheme expenses		**(12,398,653)**	(12,641,626)	**-**	-
Depreciation and amortisation		**(730,475)**	(728,403)	**(711,418)**	(707,991)
Grant expenditure	8	**(529,109)**	(583,360)	**(547,614)**	(583,360)
Net claims expense	9	**(10,206,031)**	(10,152,662)	**-**	-
Catastrophe insurance expense		**(9,225,644)**	(8,480,127)	**-**	-
Other expenses from ordinary activities		**(6,863,479)**	(5,769,308)	**(5,149,768)**	(4,283,837)
Finance expenses		**(1,089,606)**	(1,157,315)	**(558,367)**	(636,121)
Total Expenses		**(47,851,263)**	(46,656,825)	**(12,363,968)**	(12,117,451)
Operating surplus/(deficit)		**1,175,390**	(207,075)	**884,256**	494,703
Net gain/(loss) on sale of assets		**26,150**	(17,067)	**15,287**	(17,067)
Gain revaluation of investment property		**3,060,388**	1,629,223	**3,060,388**	1,629,223
NET SURPLUS/(DEFICIT)		**4,261,928**	1,405,081	**3,959,931**	2,106,859
Other Comprehensive Income					
Special distribution to members		**-**	(1,500,000)	**-**	-
Revaluation of operating land and buildings		**2,686,485**	620,231	**2,686,485**	620,231
Total comprehensive surplus/(deficit) for the year		**6,948,413**	525,312	**6,646,416**	2,727,090

Statement of Financial Position
As at 30 June 2022

		Consolidated		Parent	
		2022	2021	2022	2021
	Note	$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	**49,472,139**	44,494,919	**7,902,679**	7,060,981
Trade and other receivables	11	**17,615,990**	16,824,187	**4,328,998**	3,851,043
Financial assets	12	**17,761,396**	23,924,270	**-**	-
Prepayments		**544,286**	420,179	**411,390**	415,179
Reinsurance and other recoveries receivables	13	**6,243,218**	4,138,510	**-**	-
TOTAL CURRENT ASSETS		**91,637,029**	89,802,065	**12,643,067**	11,327,203
NON-CURRENT ASSETS					
Trade and other receivables	11	**13,056,655**	15,412,329	**13,056,655**	15,412,329
Financial assets	12	**2**	2	**3**	2
Property, plant and equipment	14	**15,602,484**	13,356,425	**15,523,575**	13,272,891
Investment properties	15	**16,927,500**	13,539,545	**16,927,500**	13,539,545
Intangible assets	16	**637,165**	777,642	**637,165**	777,642
Reinsurance and other recoveries receivables	13	**12,402,393**	12,489,334	**-**	-
TOTAL NON-CURRENT ASSETS		**58,626,199**	55,575,277	**46,144,898**	43,002,409
TOTAL ASSETS		**150,263,228**	145,377,342	**58,787,965**	54,329,612
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	17	**11,903,481**	11,179,900	**9,987,712**	9,832,150
Borrowings	19	**2,355,674**	2,277,018	**2,355,674**	2,277,018
Employee benefits	18	**835,968**	902,239	**621,759**	689,282
Unearned member contributions	20	**10,854,199**	10,324,828	**-**	-
Outstanding claims liability	21	**12,684,227**	13,340,144	**-**	-
TOTAL CURRENT LIABILITIES		**38,633,549**	38,024,129	**12,965,145**	12,798,450
NON-CURRENT LIABILITIES					
Borrowings	19	**13,056,655**	15,412,329	**13,056,655**	15,412,329
Catastrophe margin		**85,000**	85,000	**-**	-
Employee benefits	18	**225,345**	201,136	**184,693**	183,777
Outstanding claims liability	21	**26,574,138**	26,914,618	**-**	-
TOTAL NON-CURRENT LIABILITIES		**39,941,138**	42,613,083	**13,241,348**	15,596,106
TOTAL LIABILITIES		**78,574,687**	80,637,212	**26,206,493**	28,394,556
NET ASSETS		**71,688,541**	64,740,130	**32,581,472**	25,935,056
EQUITY					
Reserves	22	**26,845,012**	22,699,833	**23,432,896**	20,321,054
Retained earnings		**44,843,529**	42,040,297	**9,148,576**	5,614,002
		71,688,541	64,740,130	**32,581,472**	25,935,056
TOTAL EQUITY		**71,688,541**	64,740,130	**32,581,472**	25,935,056

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 30 June 2022

2021 Consolidated	Consolidated					
	Retained Earnings	Asset Revaluation Reserve	Project Reserve	Risk Incentive Reserve	Total Reserves	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2020	43,610,568	9,629,913	7,163,854	3,810,483	20,604,250	64,214,818
Surplus/deficit for the year from ordinary activities	1,405,081	-	-	-	-	**1,405,081**
Special distribution to members	(1,500,000)	-	-	-	-	**(1,500,000)**
Revaluation increment (decrement)	-	620,231	-	-	620,231	**620,231**
Total comprehensive surplus/(deficit) for the year	**(94,919)**	**620,231**	**-**	**-**	**620,231**	**525,312**
Transfer (to)/from project reserve	(2,907,055)	-	2,907,055	-	2,907,055	-
Transfer (to)/from risk incentive reserve	1,431,703	-	-	(1,431,703)	(1,431,703)	-
Balance at 30 June 2021	**42,040,297**	**10,250,144**	**10,070,909**	**2,378,780**	**22,699,833**	**64,740,130**

2022 Consolidated	Consolidated					
	Retained Earnings	Asset Revaluation Reserve	Project Reserve	Risk Incentive Reserve	Total Reserves	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2021	42,040,297	10,250,144	10,070,909	2,378,780	22,699,833	64,740,130
Surplus/deficit for the year from ordinary activities	4,261,928	-	-	-	-	4,261,928
Revaluation of operating land and buildings increment (decrement)	-	2,686,485	-	-	2,686,485	2,686,485
Total comprehensive surplus / (deficit) for the year	4,261,928	2,686,485	-	-	2,686,485	6,948,413
Transfer (to)/from project reserve	(855,700)	-	855,700	-	855,700	-
Transfer (to)/from risk incentive reserve	(1,033,337)	-	-	1,033,337	1,033,337	-
Balance at 30 June 2022	44,413,188	12,936,629	10,926,609	3,412,117	27,275,355	71,688,543

Statement of Changes in Equity
For the Year Ended 30 June 2022

2021 Parent

	Parent					
	Retained Earnings	**Asset Revaluation Reserve**	**Project Reserve**	**Risk Incentive Reserve**	**Total Reserves**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2020	6,414,199	9,629,913	7,163,854	-	16,793,767	23,207,966
Total profit/(loss) for the year	2,106,859	-	-	-	-	2,106,859
Revaluation increment (decrement)	-	620,231	-	-	620,231	620,231
Comprehensive surplus/(deficit) from ordinary activities	**2,106,859**	**620,231**	**-**	**-**	**620,231**	**2,727,090**
Transfer (to)/from project reserve	(2,907,056)	-	2,907,056	-	2,907,056	-
Balance at 30 June 2021	**5,614,002**	**10,250,144**	**10,070,910**	**-**	**20,321,054**	**25,935,056**

2022 Parent

	Parent					
	Retained Earnings	**Asset Revaluation Reserve**	**Project Reserve**	**Risk Incentive Reserve**	**Total Reserves**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2021	5,614,002	10,250,144	10,070,910	-	20,321,054	25,935,056
Total profit/(loss) for the year	3,959,931	-	-	-	-	3,959,931
Revaluation increment (decrement)	-	2,686,485	-	-	2,686,485	2,686,485
Comprehensive surplus/(deficit) from ordinary activities	3,959,931	2,686,485	-	-	2,686,485	6,646,416
Transfer (to)/from project reserve	(855,700)	-	855,700	-	855,700	-
Balance at 30 June 2022	8,718,233	12,936,629	10,926,610	-	23,863,239	32,581,472

Statement of Cash Flows
For the Year Ended 30 June 2022

		Consolidated		Parent	
		2022	2021	2022	2021
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers/members (inclusive of GST)		**50,838,586**	49,500,677	**13,400,082**	10,875,322
Receipts from grants		**6,676,066**	8,701,405	**6,676,066**	9,103,410
Interest received		**944,649**	1,266,978	**575,021**	681,049
Payments to suppliers and employees (inclusive of GST)		**(40,679,692)**	(38,366,822)	**(12,562,941)**	(10,936,136)
Claims paid		**(11,202,428)**	(12,500,017)	**-**	-
Borrowing costs		**(1,089,606)**	(1,157,315)	**(558,367)**	(636,121)
Distribution back to members		**-**	(1,500,000)	**-**	-
Grant payments	1.b	**(3,945,220)**	(2,148,816)	**(3,963,725)**	(2,148,816)
Net cash provided by/(used in) operating activities	10	**1,542,355**	3,796,090	**3,566,136**	6,938,708
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment		**(450,990)**	(2,349,383)	**(447,420)**	(2,349,383)
Cash realised from term deposits		**6,162,874**	13,485,215	**-**	-
Net cash provided by/(used in) investing activities		**5,711,884**	11,135,832	**(447,420)**	(2,349,383)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of borrowings		**(2,277,018)**	(2,200,989)	**(2,277,018)**	(2,200,989)
Net cash provided by/(used in) financing activities		**(2,277,018)**	(2,200,989)	**(2,277,018)**	(2,200,989)
Net increase/(decrease) in cash and cash equivalents held		**4,977,221**	12,730,933	**841,698**	2,388,336
Cash and cash equivalents at beginning of year		**44,494,918**	31,763,986	**7,060,981**	4,672,645
Cash and cash equivalents at end of financial year	10	**49,472,139**	44,494,919	**7,902,679**	7,060,981

The accompanying notes form part of these financial statements.

Local Government Association of South Australia

Notes to the Financial Statements
For the Year Ended 30 June 2022

1. Parent reporting

The following information has been extracted from the books and records of the parent, Local Government Association of South Australia and has been prepared in accordance with Accounting Standards.

The parent information has been disaggregated into Secretariat activity and Project activity. Secretariat activity details the annual day to day operations of the LGA and Project activity includes activity funded from External Grants and Contributions to manage committed projects with specified outcomes.

Statement of Surplus/(Deficit) and Other Comprehensive Income

1.a. Detailed Table

	Secretariat 2022 $	Secretariat 2021 $	Project 2022 $	Project 2021 $	Total 2022 $	Total 2021 $
Revenue from continuing operations						
Subscriptions	**2,429,685**	2,370,421	**-**	-	**2,429,685**	**2,370,421**
Grant revenue	**167,537**	60,961	**2,004,922**	3,803,201	**2,172,459**	**3,864,162**
Other revenue	**7,607,510**	5,454,968	**463,550**	256,387	**8,071,060**	**5,711,355**
Finance income	**574,725**	663,569	**295**	2,647	**575,020**	**666,216**
Total revenue from continuing operations	**10,779,457**	8,549,919	**2,468,767**	4,062,235	**13,248,224**	**12,612,154**
Expenses						
Employee benefits - operating	**(4,315,364)**	(4,375,229)	**(1,081,437)**	(1,530,913)	**(5,396,801)**	**(5,906,142)**
Grant expenditure	**-**	-	**(547,614)**	(583,360)	**(547,614)**	**(583,360)**
Depreciation	**(700,562)**	(679,038)	**(10,856)**	(28,953)	**(711,418)**	**(707,991)**
Other expenses	**(4,042,022)**	(2,725,719)	**(1,107,746)**	(1,558,118)	**(5,149,768)**	**(4,283,837)**
Impairment loss on office furniture	**-**	-	**-**	-	**-**	**-**
Finance expenses	**(557,435)**	(634,699)	**(932)**	(1,422)	**(558,367)**	**(636,121)**
Total Expenses before sale/impairment of assets	**(9,615,383)**	(8,414,685)	**(2,748,585)**	(3,702,766)	**(12,363,968)**	**(12,117,451)**
Operating Surplus/(Deficit)	**1,164,074**	135,234	**(279,818)**	359,469	**884,256**	**494,703**

Notes to the Financial Statements
For the Year Ended 30 June 2022

1. Parent reporting

1.b. Parent entity grant payments

The following table shows the grant payments made by the LGASA Parent, included in cashflows, that have resulted from the change in accounting policies of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-For-Profit Entities

	2022	2021
	$	$
Community wastewater management scheme	**3,146,154**	1,074,828
Early childhood community innovation	**158,700**	-
LG research and development scheme	**448,021**	488,360
Local govt youth led COVID19 recovery	**53,211**	445,681
Other grants	**157,639**	139,947
	3,963,725	2,148,816

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

2. Summary of Significant Accounting Policies

2.a. Basis of preparation

These non-statutory general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and relevant South Australian Legislation.

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Accounting policies

The financial statements include the consolidation of LGA and its' controlled entities ('the Group'). LGA is a body corporate established under the Local Government Act 1999 and is a not-for-profit entity.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied unless otherwise stated.

Outlined below are significant accounting policies related to the overall Group. Policies related specifically to the LGAWCS and LGAMLS ('the Schemes') have been separately disclosed in Note 2(h) - (n).

Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis except for selected non-current assets, and financial assets and financial liabilities for which fair value basis of accounting has been applied.

Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvements with the entity and an ability to affect those

2. Summary of Significant Accounting Policies

2.a. Basis of preparation

returns through its power to direct the activities of the entity.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

When controlled entities have entered or left the consolidated entity during the year, their operating results have been included/ excluded from the date control was obtained or until the date of control ceased.

A list of controlled entities is contained in Note 25 to the financial statements.

2.b. New Accounting Standards and Interpretations

New Australian accounting standards applicable for the first time during the period did not have a material impact on the group's results or financial statements.

Australian accounting standards not yet effective have not been early adopted by the group. Of these standards the following may have a material impact on future periods when adopted:

Australian Accounting Standards Board (AASB) 17 Insurance Contracts

AASB 17 Insurance Contracts was issued in May 2017 and will replace AASB 4 Insurance Contracts, which currently permits a wide variety of practices. AASB 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard is not expected to be effective until the 30 June 2024 financial year for the group. At this point the group has not evaluated the impact of the standard.

2.c. Income Tax

The Group, and it's related entities, is exempt from income tax under the Income Tax Assessment Act.

2.d. Financial instruments

Recognition and derecognition

Purchases and sales transactions of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Classification

The Group classifies its financial assets in the following measurement categories:

2. Summary of Significant Accounting Policies

2.d. Financial instruments

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through the statement of surplus/(deficit)),

- those to be measured at amortised cost

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in Statement of Surplus/(Deficit) or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through Statement of Surplus/(Deficit) (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the Statement of Surplus/(Deficit). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent solely payment of principal and interest are measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Statement of Surplus/(Deficit) and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2. Summary of Significant Accounting Policies

2.e. Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is evidence of an impairment indicator for non-financial assets. At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Surplus/(Deficit).

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

2.f. Capital Management Policy

The Group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide services to members.

In order to maintain or adjust the capital structure, LGA may adjust the amount of contribution received from its members, adjust the excess surplus to its members via special distributions or enter into debt agreements.

LGA monitors capital on the basis of the total accumulated surplus. A special distribution may be made to its members where the total accumulated surplus exceeds the LGASA Mutual's targeted surplus.

2.g. Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office.

Receivables and payable in the statement of financial position are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2.h. Classification of Mutual Risk Products

The Schemes are Mutual Risk Products as defined by the Australian Securities and Investment Commission and are neither authorised under, nor subject to, the provisions of the Insurance Act. The Schemes are not a product regulated by the Australian Prudential Regulation Authority.

The Schemes are self-insured products where Members agree to Scheme Rules and whereby the Schemes agree to accept significant risk from the Members by making discretionary decisions on whether to compensate the Members for future claims.

Relevant reinsurance is purchased by the Schemes as a mechanism to protect the Scheme and Members. In respect to the LGAMLS, it is further protected through the backing of the Treasurers Indemnity.

2. Summary of Significant Accounting Policies

2.i. Unexpired Risk Liability

At each reporting date the Schemes assess whether the unearned members' contribution liability is sufficient to cover all expected future cash flows relating to future claims against current contracts. This assessment is referred to as the liability adequacy test and is performed separately for each group of contracts subject to broadly similar risks and managed together as a single portfolio.

Provision is made for unexpired risks arising from general business where the expected value of claims and expenses attributed to the unexpired periods of policies in force at the balance date exceeds the unearned members' contribution liability in relation to such policies.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned members' contribution liability then the unearned contribution liability is deemed to be deficient.

The entire deficiency, gross and net of reinsurance, is recognised immediately in the Statement of Surplus/(Deficit) or loss and other comprehensive income. As the Schemes do not have any intangible assets or deferred acquisition costs, the deficiency would be recorded in the statement of financial position as an unexpired risk liability.

2.j. Outwards Reinsurance

Premiums credited to reinsurers are recognised as outwards reinsurance premium expenses in accordance with the pattern of reinsurance service received over the membership or indemnity periods based on time.

2.k. Claims

The liability for outstanding claims is measured as the central estimate of the present value of the expected future payments for claims incurred at the reporting date, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

Claims expense and a liability for outstanding claims are recognised as losses occur. The liability for outstanding claims includes claims reported but not yet paid, claims incurred by not yet reported (IBNR) and the anticipated direct and indirect cost settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating settlement costs of not reporting claims using statistics based on past experience and trends.

Excess amounts recoverable from a Scheme member are payable and are treated as a contribution towards the settlement of a claim.

The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement, such as normal inflation. The expected future payments are discounted to present value at balance date using a risk-free rate.

Outstanding claim provisions were determined taking into account an actuarial review of the Schemes which occured in August 2022, by Cumpston Sarjeant Pty Ltd. This review was based on initial claims data to 31 March 2022 and claims data to 30 June 2022 and included in their report received in August 2022.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation. The expected future payments are discounted to present value at balance date using a risk free rate.

2. Summary of Significant Accounting Policies

2.l. Catastrophe Margin

The Workers Compensation Scheme has recognised the likelihood of future claims in relation to asbestos related illnesses. The provision is reviewed annually and the Scheme takes guidance from the Actuary in setting the amount provided.

2.m. Special Distribution to Members

The Mutual Liability Scheme and Workers Compensation Scheme set maximum levels of accumulated funds that should be held each year. When funds exceed the maximum level, a distribution of funds is provided to member councils.

2.n. Assets Backing General Insurance Liabilities

LGASA Mutual's investment strategies manage the funds invested with the Local Government Finance Authority of South Australia.

LGASA Mutual has determined that all assets are held to back its insurance liabilities and their accounting treatment is described below. As these assets are managed on a fair value basis, they have been valued at fair value through the Statement of Surplus/(Deficit).

The accounting policies applying to assets held to back LGASA Mutual's activities are:

Financial Assets

LGASA Mutual's value financial assets and any assets backing risk activities at fair value through the Statement of Surplus/(Deficit). Details of fair value for the different types of financial assets are summarised below:

- Cash assets and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets and bank overdrafts approximate to their fair value. For the purposes of the statement of cash flows, cash includes cash on hand, call deposits and deposits where maturity is less than 3 months, net of bank overdrafts.

- Fixed interest securities are recorded at amounts based on valuation using rates of interest equivalent to the yields obtainable on comparable investments at balance date.

Receivables

Contributions due from members and amounts due from reinsurers under the reinsurance program are initially recognised at face value, being the amounts due. They are subsequently measured at fair value that is approximated by taking the initially recognised amount and reducing it for impairment as appropriate.

A provision for impairment of receivables is established when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The discount is calculated using the original effective interest rate. Where there is impairment a charge is recognised in the Statement of Surplus/(Deficit) and other comprehensive income.

2. Summary of Significant Accounting Policies

2.o. Right of Use Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the Statement of Surplus/(Deficit) as incurred.

2.p. Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to the Statement of Surplus/(Deficit) if the carrying amount of the right-of-use asset is fully written down.

2.q. Revenue

Revenue arises mainly from member contributions for mutual risk products, grant revenue and for subscriptions received from member councils

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Consolidated Entity satisfies performance obligations by transferring the promised goods or services to its members.

Notes to the Financial Statements
For the Year Ended 30 June 2022

2. Summary of Significant Accounting Policies

2.q. Revenue

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as grants received in advance in the Statement of Financial Position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or accrued income in its Statement of Financial Position, depending on whether something other than the passage of time is required before the consideration is due.

Grants

Grants and project funding that were received on the condition that they be expended in a particular manner were recognised as income when the Group gained control of the grant or the right to receive the grant. Grant monies outstanding at year end were placed in a reserve for allocation to expenditure in future years.

3. Critical Accounting Estimates and Judgments

The Board members make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Valuation of land and buildings

Land and buildings are recognised at fair value based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to reserves in equity. Detailed information about this estimate and judgement is included in the Note 6.

Investment Property

Investment properties are initially recognised at cost and are subsequently measured at fair value with any changes therein recognised in statement of surplus/(deficit). For policy on transfers between Property, plant and equipment and investment property to note 14 (a). For recognition and measurement policy refer to Note 15 (b).

At each balance date directors update their assessment of the fair value, taking into account external independent valuations. These valuations include a number of estimates and judgements as detailed in note 15.

Actuarial Assumptions and Methods - LGAMLS and LGAWCS

Actuarial Assumptions

The following assumptions have been made in determining the outstanding claims liabilities.

Notes to the Financial Statements
For the Year Ended 30 June 2022

3. Critical Accounting Estimates and Judgments

Key Actuarial Assumptions

	LGAMLS		LGAWCS	
	2022	**2021**	**2022**	**2021**
Case estimate development	**(25.00)%**	(25.00)%	-	-
Wage inflation	**4.00%**	3.00%	**4.00%**	3.00%
Superimposed inflation	**2.00%**	2.00%	**2.00%**	2.00%
Discount rate	**3.50%**	0.10%	**3.00%**	0.10%

The process used to determine actuarial assumptions

A description of the processes used to determine the above key actuarial assumptions is provided below.

In the independent actuary review for 30 June for the LGMLS and LGWCS was completed on 11th August 2022, the actuary was provided with claims data on claims incurred net of excesses and anticipated recoveries to reduce the liability of members. The actuary allow for:

- Developments in case estimates on reported claims based on an explicit case development parameter or Project Case Estimates method;
- Claims incurred but not reported and potential recoveries were all estimated by an inflation adjusted Payment per Claim Incurred method based on ultimate non-zero claim numbers projected by a Chain Ladder method and 5-year averages of late reported claims;
- Cost of claims likely to be reopened were estimated by an inflation adjusted Payment per Claim Incurred method based on ultimate non-zero claim numbers projected by a Chain Ladder method and 5 year average of reported claims;
- Expected investment earnings by applying a fitted payment pattern to the undiscounted sum of the above components and then discounts at the assumed discount rate;
- There were no recoveries either due or expected from reinsurance contracts.

Case estimate development

Development in net case estimates applied to open claims was -25.00% (2021 -25.00%) for all accident years.

Wage inflation

The independent actuary assumed wage inflation, per annum, based on recent inflation levels in South Australia as follows

	2022	2021
LGAMLS	4.00%	3.00%
LGAWCS	4.00%	3.00%

Notes to the Financial Statements
For the Year Ended 30 June 2022

3. Critical Accounting Estimates and Judgments

Claim administration expense

The independent actuary has not made an allowance for claim administration expenses on open claims as the amount of fees already represent approximately 4.5% of payments. A fixed fee of $180,000 is charged by the Scheme Manager for this expense. The amounts allowed are comparable to those normally made by the public liability and professional indemnity insurers.

Superimposed inflation

The independent actuary assumed future superimposed inflation, the rate at which claims increase in excess of wage inflation, per annum as follows

	2022	2021
LGAMLS	2.00%	2.00%
LGAWCS	2.00%	2.00%

Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wages or CPI inflation. Though there is no discernible trend of superimposed inflation in inflated claims insured, the independent actuary determined it is appropriate to included a nominal allowance for such inflation in future claims.

Discount rate

The estimates of the outstanding claims liabilities were discounted to allow for future investment income gains attributable to the liabilities. The estimates of reinsurance recovery assets were discounted to allow for future income losses attributable to the assets. The independent actuary assumed a discount rate of 3.50% per annum (2021 0.10%) for LGAMLS and 3.00% per annum (2021 0.10%) for LGAWCS based on current medium-term bond yields.

3. Critical Accounting Estimates and Judgments

Sensitivity Analysis

The outstanding claims liability included in the reported results is calculated based on the key actuarial assumptions as disclosed above. The movement in any of the above key actuarial assumptions will impact the performance and total accumulated funds of the Schemes.

The table below describes how a change in each of the assumptions will affect the outstanding claims liabilities

Wage inflation	Expected future payments are inflated to take into account inflationary increases. An increase or decrease in the assumed level of economic inflation would have a corresponding impact on claims expenses, with particular reference to longer tail claims.
Superimposed inflation	In addition to the general economic inflation rate an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. Such rates of superimposed inflation are specific to the model adopted. An increase or decrease in the assumed levels of superimposed inflation would have a corresponding impact on claims expense, with particular reference to longer tail claims.
Discount Rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Case Estimate Development	Case estimates are initially established in accordance with established guidelines and by reference to the known facts. Where new information becomes available the initial case estimates will change. This development movement applied to open claims and will have a corresponding impact on claims expense.

(i) LGAMLS

		Profit/(loss)	Total Accumulated Funds	
Variable	**Movement in variable**	**Movement by applying variable gross of reinsurance**	**Net of reinsurance**	**Total Accumulated Funds**
Wage inflation	3%	1,445,000	110,000	(110,000)
	(3%)	(1,259,000)	(94,000)	94,000
Superimposed inflation	3%	1,484,000	112,000	(113,000)
	(3%)	(1,278,000)	(96,000)	96,000
Discount rate	3%	(1,445,000)	(107,000)	106,000
	(3%)	1,777,000	132,000	(133,000)
Case - estimate development	5%	216,000	3,000	(3,000)
	(5%)	(209,000)	(3,000)	3,000

3. Critical Accounting Estimates and Judgments

(ii) LGAWCS

Variable		Profit/(loss)	Total Accumulated Funds	
	Movement in variable	Gross of reinsurance	Net of reinsurance	Total Accumulated Funds
Wage inflation	3%	540,000	-	(539,000)
	(3%)	(453,000)	-	453,000
Superimposed inflation	3%	553,000	-	(553,000)
	(3%)	(438,000)	-	439,000
Discount rate	3%	(1,134,000)	-	1,135,000
	(3%)	1,381,000	-	(1,381,000)

4. Mutual Risk Products - Risk Management (LGAMLS and LGAWCS)

Risk management objectives and policies for mitigating risk

LGAMLS and LGAWCS are established by legislation contained in the Local Government Act 1999. Membership is available to local government councils and prescribed bodies. LGAMLS and LGAWCS operate in South Australia to provide a claims management service to members in respect of their potential and actual liabilities. A member may seek indemnity from the Schemes in respect of a claim.

Under the rules, the LGA may, in its sole and absolute discretion, determine whether indemnity will be granted in respect of a claim. Should indemnity be granted, the LGAMLS and LGAWCS offers unlimited cover.

Actuarial models, using information from management information systems are used to confirm contributions and monitor claim patterns. Past experience and statistical methods are used as part of the process.

In respect to both Workers Compensation and Civil Liability risk events, they are by nature, random, and the actual number and quantum cost of the event during any one-year may vary from those using estimated statistical techniques.

Objectives in managing risk arising from mutual risk products and policies for mitigating those risks

The Schemes have an objective to control risk thus reducing the volatility of its operating surplus. In addition to the inherent uncertainty of workers compensation and civil liability risks, which can lead to variability in the loss experience, operating surpluses can also be affected by external factors such as competition and movements in asset values.

LGAMLS and LGAWCS rely on a strong relationship with its members and actively encourages them to adopt practices of risk management that reduce the incidence of claims to the Schemes.

Reinsurance strategy

LGAMLS and LGAWCS adopt a conservative approach towards the management of risk and did this by utilising various risk transfer options. The Board of the Schemes determine the level of risk, which is appropriate for the LGAMLS and LGAWCS having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Schemes include the utilisation of commercial reinsurance arrangements and the negotiation of an indemnity agreement with the South Australian State Government Treasurer. These risk transfer arrangements assist the Schemes to limit its

4. Mutual Risk Products - Risk Management (LGAMLS and LGAWCS)

liability on single large claims and catastrophic events. These programs are regularly reviewed each year to ensure that they continue to meet the risk needs of LGAMLS and LGAWCS.

In the past ten years, LGAMLS and LGAWCS have managed their reinsurance program and risk transfer arrangements so that the exposure to each claim has been markedly reduced. LGASA Mutual has maintained its Treasurer's Indemnity on a long-term basis which is due to expire in September 2022.

Terms and conditions of membership

Membership to LGAMLS and LGAWCS is offered to eligible bodies and renewed annually on 30 June. Payment of the annual contribution confirms continuation of membership. Termination of membership is subject to at least 90 days written notice of intention as laid out by the rules. Once a claim is accepted and indemnity granted each claim is handled individually on the circumstances peculiar to the claim.

Product features (Mutual Liability Scheme)

The Scheme operates in South Australia. Should a claim be accepted the scheme provides indemnity to the member in respect of their civil liabilities for an unlimited amount, subject to any excess for any claim incurred anywhere throughout the world.

Operating surpluses arise from the total contributions charged to members less the amounts paid to cover claims and the expenses incurred by the Scheme.

Product features (Workers Compensation Scheme)

LGAWCS operates in South Australia, whereby the LGA is a group self-insurer which enables the scheme to operate under a delegated authority as described in the Return to Work Act 2014 (RTW Act). Should a claim be accepted, the scheme provides indemnity to the member in respect of their workers' compensation liabilities for amounts and benefits detailed in the RTW Act.

Operating surpluses arise from the total contributions charged to members less the amounts paid to cover claims and the expenses incurred by the Scheme.

Management of risks

The key risks that affect LGAMLS and LGAWCS are contribution risk, and claims experience risk.

Contribution risk is the risk that the Schemes do not charge contributions appropriate for the indemnity cover they provide. LGAMLS and LGAWCS partially manage contribution risk through their proactive approach to risk management that addresses all material risks both financial and non-financial. There are no specific terms and conditions that are expected to have a material impact on the financial statements.

Claims experience risk is managed through the non-financial risk assessment and risk management and reinsurance management process. Claims experience is monitored on an ongoing basis to ensure that any adverse trending is addressed. LGAMLS and LGAWCS are able to reduce the claims experience risk of severe losses through the reinsurance program, and by managing the concentration of risks.

Concentration of risks

Risk are managed by taking a long term approach to setting the annual contribution rates that eliminates price fluctuations, appropriate investment strategy, reinsurance and by maintaining an active state-wide risk management profile. It is vital that the LGAMLS and LGAWCS keep abreast of changes in the general economic, legal and commercial environment in which it operates.

4. Mutual Risk Products - Risk Management (LGAMLS and LGAWCS)

Interest rate risk

The reinsurance indemnity contracts contain no clauses that expose LGAMLS and LGAWCS directly to interest rate risk. The reinsurance contracts are long term arrangements, reviewed and payable annually.

Credit risk

LGAMLS and LGAWCS are exposed to credit risk on contracts as a result of exposure to reinsurers. The credit risk to reinsurers is managed through the Schemes regularly monitoring the financial rating of the reinsurers both prior to and during the reinsurance program.

In relation to the reinsurance and other receivables disclosed in note 3 in relation to the LGAMLS, the credit risk exposure is equal to the undiscounted aggregate value of claims. As at 30 June 2022 this amounted to $21.78 million (2021: $19.63 million).

5. Financial Risk Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

Financial instruments used

The principal categories of financial instrument used by the Group consists mainly of deposits with banks, local money market instruments, short-term investments, trade receivables, trade payables, loans to and from related parties, bills and leases.

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
Financial assets				
Cash and cash equivalents	**49,472,139**	44,494,919	**7,902,679**	7,060,981
Trade and other receivables	**30,672,645**	32,236,516	**17,385,653**	15,412,329
Term deposits	**17,761,396**	23,924,270	**-**	-
Total financial assets	**97,906,180**	100,655,705	**25,288,332**	22,473,310
Financial liabilities				
Trade and other payables	**11,903,481**	11,179,900	**9,987,712**	9,832,150
Borrowings	**15,412,329**	17,689,347	**15,412,329**	17,689,347
Total financial liabilities	**27,315,810**	28,869,247	**25,400,041**	27,521,497

The main purpose for non-derivative financial instruments is to raise finance for group operations.

The Group does not have any derivative financial instruments as at 30 June 2022 (2021: nil).

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

5. Financial Risk Management

Liquidity risk

The table below reflects the undiscounted contractual maturity analysis for financial liabilities.

Financial liability maturity analysis

Consolidated	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$	$	$
Financial liabilities								
Trade and other payables	**(8,256,991)**	(10,516,656)	**-**	-	**-**	-	**(8,256,991)**	(10,516,656)
Borrowings	**(2,355,674)**	(2,277,018)	**(11,454,188)**	(9,922,273)	**(24,106)**	(5,490,056)	**(13,833,968)**	(17,689,347)
Total financial liabilities	**(10,612,665)**	(12,793,674)	**(11,454,188)**	(9,922,273)	**(24,106)**	(5,490,056)	**(22,090,959)**	**(28,206,003)**

Parent	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$	$	$
Financial liabilities								
Trade and other payables	**(8,256,991)**	(7,593,686)	**-**	-	**-**	-	**(8,256,991)**	(7,593,686)
Borrowings	**(2,355,674)**	(2,277,018)	**(10,265,021)**	(9,922,273)	**(2,791,634)**	(5,490,056)	**(15,412,329)**	(17,689,347)
Total financial liabilities	**(10,612,665)**	(9,870,704)	**(10,265,021)**	(9,922,273)	**(2,791,634)**	(5,490,056)	**(23,669,320)**	**(25,283,033)**

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Group does not have any material credit risk exposure to any single receivable or group receivables under financial instruments entered into by the Group.

The average credit rating of the Scheme's reinsurance companies is 'A'. However, the Schemes do recognise that there may be the likelihood of a reinsurance company failing to meet its obligations. A reinsurer default provision has been raised to cover this.

Market risk

The Group's main interest rate risk arises from financial assets at fair value through the Statement of Surplus/(Deficit) and short term deposits with banks. Investments at variable rates expose the Scheme to cash flow interest rate risk. Investments at fixed rates expose the Scheme to fair value interest rate risk. All investments are held with Local Government Finance Authority. The Scheme has no formal policy in respect of the percentage of investments at fixed rates. Investments at fixed rates are made as and when opportunities arise.

Notes to the Financial Statements
For the Year Ended 30 June 2022

5. Financial Risk Management

The following table illustrates sensitivities to the Group's exposure to changes in interest rates. The table indicates the impact on how profit and equity values reporting at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Consolidated	**2022**		**2021**	
	+1.00%	**-1.00%**	**+1.00%**	**-1.00%**
	$	**$**	**$**	**$**
Cash and cash equivalents	**494,721**	**(494,721)**	317,640	(317,640)
Short term deposits	**177,614**	**(177,614)**	239,271	(239,271)

6. Fair value hierarchy

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the assets that are recognised and measured in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its assets into three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The table below shows the assigned level for each asset and liability held at fair value by the Group:

Consolidated	**Level 2**	**Level 3**
30 June 2022	**$**	**$**
Financial Assets	**17,761,396**	**-**
Land and freehold buildings	**-**	**13,572,500**
Investment property	**-**	**16,927,500**

Consolidated	**Level 2**	**Level 3**
30 June 2021	**$**	**$**
Financial Assets	23,924,272	-
Land and freehold buildings	-	10,860,495
Investment property	-	13,539,545

Parent	**Level 2**	**Level 3**
30 June 2022	**$**	**$**
Financial assets	**2**	**-**
Land and freehold buildings	**-**	**13,572,500**
Investment property	**-**	**16,927,500**

Notes to the Financial Statements
For the Year Ended 30 June 2022

6. Fair value hierarchy

Parent	**Level 2**	**Level 3**
30 June 2021	**$**	**$**
Financial assets	2	-
Land and freehold buildings	-	10,860,495
Investment property	-	13,539,545

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Level 1: The fair value of assets is measured using reference to an active market where trades are freely made at arms length between willing and suitably invested partners.

Level 2: The fair value of assets that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the asset is included in level 3.

Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

Term deposits - The fair value of term deposits is calculated as the present value of the estimated future cash flows based on observable government bond rate.

Land, Freehold Buildings and Investment Property - The Group's land and buildings were revalued at 30 June 2022 by independent valuers Knight Frank Valuation & Advisory South Australia. Valuations were made on the basis of open market value. Movement during the year relates to depreciation on the building.

Unlisted shares - The value of unlisted shares have been recorded at the initial value at recognition.

Notes to the Financial Statements
For the Year Ended 30 June 2022

7. Revenue

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
Member contributions				
- Gross earned contributions	**55,048,529**	52,078,167	**-**	-
- Rebate to members	**(19,956,370)**	(18,450,445)	**-**	-
Total member contributions	**35,092,159**	33,627,722	**-**	-
Other revenue				
- Administrative charges	**1,196,365**	1,113,543	**2,339,873**	2,240,155
- Other Revenue	**3,913,237**	2,278,473	**3,549,179**	1,855,813
- Rent	**912,192**	771,199	**1,263,926**	1,095,635
- Outgoings	**889,554**	429,436	**889,554**	503,642
- Member Service Rebates	**1,561,354**	1,144,653	**28,528**	16,110
Total other revenue	**8,472,702**	5,737,304	**8,071,060**	5,711,355

Revenue is measured either at a point in time, or over time, depending on the recognition criteria of AASB 15 Revenue of Contracts with Customers. All revenue is stated net of the amount of goods and services tax (GST).

Member contributions

Member contributions comprise amounts charged to members of the schemes for liability protection, net of amounts returned to members as bonuses. Member contribution revenue is recognised in the Statement of Surplus/(Deficit) and other comprehensive income which has been earned. The proportion of members' contributions received or receivable not earned is recognised in the statement of financial position as an unearned member contribution liability.

Member contributions are treated as earned from the date of attachment of risk. The pattern of recognition over the period of cover is based on time, which is considered to closely approximate the pattern of risks underwritten.

Grants

Grants that were received on the condition that they be expended in a particular manner have been recognised as income when the Group gains control of the grant or the right to receive the grant. Grant monies outstanding at year end are detailed in the Project Reserve in the Statement of Changes in Equity.

Subscriptions

Revenue from the provision of council subscriptions is recognised on a straight line basis over the financial year.

Other revenue

Other revenue comprises fees and charges received from Councils for services undertaken, rental and outgoings from the rental of space at LG House and rebate income from panel supplier contracts. Revenue is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual services provided to the end of the reporting period as a proportion of the total value of services to be provided.

Notes to the Financial Statements

For the Year Ended 30 June 2022

7. Revenue

Finance income

Interest is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Finance income is taken into account on an accrual basis and includes any changes in the net market value of investments during the financial year.

8. Grant expenditure

Outlined below are the projects where expenditure was incurred during the reporting period:

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
LG Research and Development Scheme	**448,021**	488,360	**448,021**	488,360
Other grants	**81,088**	95,000	**99,593**	95,000
	529,109	583,360	**547,614**	583,360

Grant expenditure includes project expenditure paid to Councils or other recipients to deliver programs or activities for the benefit of the South Australian local government sector. Expenses are recognised when all obligations and conditions of the grant or subsidy agreement have been met.

9. Net claims expense

The result for the year includes the following specific expenses:

Direct Business

Current period claims relate to risk borne in the current financial year. Prior period amounts relate to a reassessment of the risk borne in all previous financial years

	2022		
Consolidated	**Current year**	**Prior years**	**Net**
	$	$	$
Claims expense			
Claims and related expenses - undiscounted	**14,376,865**	**4,304,962**	**18,681,827**
Claims and related expenses - discounted	**(698,006)**	**(2,492,515)**	**(3,190,521)**
Claims and related expenses - net	**13,678,859**	**1,812,447**	**15,491,306**
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries revenue - undiscounted	**(2,878,443)**	**(4,437,592)**	**(7,316,035)**
Reinsurance and other recoveries revenue - discounted	**302,665**	**1,728,095**	**2,030,760**
Reinsurance and other recoveries - net	**(2,575,778)**	**(2,709,497)**	**(5,285,275)**
Claims incurred net of recoveries	**11,103,081**	**(897,050)**	**10,206,031**

Notes to the Financial Statements
For the Year Ended 30 June 2022

9. Net claims expense

Consolidated	2021		
	Current year	Prior years	Net
	$	$	$
Claims expense			
Claims and related expenses - undiscounted	14,672,050	(4,861,353)	9,810,697
Claims and related expenses - discounted	(38,122)	494,697	456,575
Claims and related expenses - net	14,633,928	(4,366,656)	10,267,272
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries revenue - undiscounted	(2,667,605)	3,049,967	382,362
Reinsurance and other recoveries revenue - discounted	(19,841)	(477,131)	(496,972)
Reinsurance and other recoveries - net	(2,687,446)	2,572,836	(114,610)
Claims incurred net of recoveries	11,946,482	(1,793,820)	10,152,662

Reinsurance and other recoveries revenue
Reinsurance and other recoveries paid on claims, reported claims not yet paid and IBNR (claims incurred but not yet reported) are recognised as revenue.

Reinsurance recoveries receivable on outstanding claims liabilities are measured as the present value of the expected future receipts calculated on a similar basis as the liability for outstanding claims.

Other recoveries receivable are recognised when certainty exists as to recovery from a third party and are measured at the present value of the expected future receipts calculated on the same basis as the liability for outstanding claims.

A provision for reinsurer default has been raised. The credit rating of the major current and historical reinsurance companies has been assessed. The actuary has assessed the appropriate provision based on the Australian and New Zealand cumulative default rates.

Workers compensation claims
Claims incurred expense and liability for outstanding claims are recognised in respect of direct claims by workers. The liability covers claims incurred but not yet paid, incurred but not yet reported claims and the anticipated costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating unmodified claims and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and 'superimposed inflation'.

Super imposed inflation refers to factors such as trends in court awards, for example, increases in the level and period of compensation for injury. The expected future payments are then discounted to a present value at the report date using discount rates based on investment opportunities available to the organisation on the amounts of funds sufficient to meet claims as they became payable.

The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.

Actuarial advice indicates these rates to be	**2022**	**2021**
Wage inflation rate	**4.00 %**	3.00 %
Superimposed inflation	**2.00 %**	2.00 %
Discount rate	**3.00 %**	0.10 %

Notes to the Financial Statements
For the Year Ended 30 June 2022

10. Cash and Cash Equivalents

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
Cash at bank and in hand	**9,865,986**	11,852,935	**7,902,679**	7,060,981
Short Term Deposits	**39,606,153**	32,641,984	**-**	-
	49,472,139	44,494,919	**7,902,679**	7,060,981

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Reconciliation of result for the year to cashflows from operating activities

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
Net Surplus	**4,261,928**	1,405,081	**3,959,931**	2,106,859
Cash flows excluded from profit attributable to operating activities				
adjustments for:				
- depreciation	**730,475**	728,403	**711,418**	707,991
- net gain on disposal of property, plant and equipment	**(26,150)**	17,067	**(15,287)**	17,067
- net (gain)/loss on disposal of investments	**(3,060,388)**	(1,629,222)	**(3,060,388)**	(1,629,222)
- special distributions to members	**-**	(1,500,000)	**-**	-
Changes in assets and liabilities:				
- (increase)/decrease in trade and other receivables	**(453,896)**	4,090,589	**1,877,719**	1,967,482
- (increase)/decrease in prepayments	**(124,107)**	(170,051)	**3,789**	(165,936)
- increase/(decrease) in trade and other payables	**723,581**	3,676,785	**155,561**	3,795,344
- increase/(decrease) in outstanding claims and unearned contributions	**(467,026)**	(2,973,797)	**-**	-
- increase/(decrease) in employee benefits	**(42,062)**	151,237	**(66,607)**	139,123
Cashflows from operations	**1,542,355**	3,796,092	**3,566,136**	6,938,708

11. Trade and other receivables

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
CURRENT				
Trade receivables	**1,168,535**	1,298,236	**451,234**	329,437
Accrued Income	**2,062,854**	1,706,000	**1,522,090**	1,244,588
State Local Govt Infra Partnership Receivable	**2,355,674**	2,277,018	**2,355,674**	2,277,018
Member contribution receivable	**12,028,927**	11,542,933	**-**	-
	17,615,990	16,824,187	**4,328,998**	3,851,043

Notes to the Financial Statements
For the Year Ended 30 June 2022

11. Trade and other receivables

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
NON-CURRENT				
State Local Govt Infra Partnership Receivable	**13,056,655**	15,412,329	**13,056,655**	15,412,329
	13,056,655	15,412,329	**13,056,655**	15,412,329

Trade and other receivables

Trade receivables are amounts due from members for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, then they are recognised at fair value.

The Group holds the trade receivables with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest method.

All outstanding receivables are paid within the Group's normal trading terms.

Accrued income

Accrued income includes revenue earned for services undertaken but have not been invoiced. Accrued income also includes grants and contribution revenue not invoiced but is due to be paid to the Group in accordance with a pre-existing agreement or government legislation.

Impairment

The Group applies a simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and all days past due.The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group expected net loss is nil (2021: nil).

Loss allowance

Trade and other receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade and other receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

State Local Government Infrastructure Partnership (SLGIP) receivable

State Government grant payments being made to the Group to reimburse costs attributable to the administration of the SGLIP program. The receivable is in accordance with the future receipts being received from the State Government as per

11. Trade and other receivables
the funding deed.

Member contribution receivable

Amounts due the LGAMLS and LGAWCS but not yet received from members for contributions for liability protection. Member contribution receivable is recognised at fair value.

12. Financial Assets

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
CURRENT				
Term deposits	**17,761,396**	23,924,270	**-**	-
	17,761,396	23,924,270	**-**	-

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
NON-CURRENT				
Shares in controlled entities (at amortised cost)	**2**	2	**3**	2
	2	2	**3**	2

Term deposits are cash investments held with Local Government Financing Authority (LGFA) with maturity of more than three months. Investments are initially brought into account at cost and subsequently remeasured to fair value to market rates through the statement of surplus/(deficit).

13. Reinsurance and other recoveries receivables

	Consolidated		Parent	
	2022	2021	2022	2021
CURRENT	$	$	$	$
Reinsurance recoveries on paid claims	**2,910,977**	300,355	**-**	-
Reinsurance recoveries receivable	**3,755,057**	3,830,988	**-**	-
Discount to present value	**(401,690)**	31,501	**-**	-
Reinsurer default provision	**(21,126)**	(24,334)	**-**	-
	6,243,218	4,138,510	**-**	-

Notes to the Financial Statements
For the Year Ended 30 June 2022

13. Reinsurance and other recoveries receivables

	Consolidated		Parent	
	2022	**2021**	**2022**	**2021**
NON CURRENT	**$**	**$**	**$**	**$**
Reinsurance recoveries on paid claims	**13,976,090**	12,466,013	**-**	-
Discount to present value	**(1,495,067)**	102,503	**-**	-
Reinsurer default provision	**(78,360)**	(79,182)	**-**	-
	12,402,663	12,489,334	**-**	-

Assets arising from reinsurance contracts were estimated for each accident year, from the payments to date and estimated outstanding claims history at 30 June 2022, taking into account the reinsurance terms applying to that accident year. In calculating the present value of reinsurance recoveries on the outstanding claims liability, allowance was made for an average recovery delay of three months, as assumed by the independent actuary. Although all relevant insurers are solvent, a provision for the failure of an insurer to pay has been raised. The reinsurer default provision is $99,756 (2021 $103,516) calculated at a rate of 0.63% (2021 0.63%) on the discounted value of the total reinsurance recoveries.

14. Property, plant and equipment

	Freehold land & buildings	Furniture, Fixtures and Fittings	Motor Vehicles	Right of Use Vehicles	Other works in progress	Total
Parent	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 30 June 2022						
Opening net carrying amount	10,860,445	1,964,242	177,826	70,972	199,406	13,272,891
Transfer to investment property	-	(327,566)	-	-	-	(327,566)
Additions	-	559,344	52,403	-	-	611,747
Transfers/Disposals	262,643	(178,119)	(34,158)	-	(199,406)	(149,040)
Depreciation expense	(237,073)	(258,499)	(45,885)	(29,485)	-	(570,942)
Revaluation	2,686,485	-	-	-	-	2,686,485
Closing net carrying amount	**13,572,500**	**1,759,402**	**150,186**	**41,487**	**-**	**15,523,575**

	Freehold land & buildings	Furniture, Fixtures and Fittings	Motor Vehicles	Right of Use Vehicles	Other works in progress	Total
Parent	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 30 June 2021						
Opening net carrying amount	21,650,000	937,382	118,074	39,809	52,917	22,798,182
Trasnfer to Investment Property	(11,910,322)	-	-	-	-	(11,910,322)
Additions	-	2,048,584	100,104	70,569	199,405	2,418,662
Transfers	-	(18,431)	(15,000)	-	(52,916)	(86,347)
Depreciation expense	(297,992)	(204,765)	(25,352)	(39,406)	-	(567,515)
Revaluation	1,418,759	(798,528)	-	-	-	620,231
Closing net carrying amount	**10,860,445**	**1,964,242**	**177,826**	**70,972**	**199,406**	**13,272,891**

Notes to the Financial Statements

For the Year Ended 30 June 2022

14. Property, plant and equipment

Consolidated	Freehold land & buildings $	Furniture, Fixtures and Fittings $	Motor Vehicles $	Right of Use Vehicles $	Other works in progress $	Total $-
Year ended 30 June 2022						
Opening net carrying amount	10,860,445	1,967,024	258,578	70,972	199,406	13,356,425
Transfer to investment property	-	(327,566)	-	-	-	(327,566)
Additions	-	559,344	99,974	-	-	659,318
Transfers/Disposals	262,643	(178,119)	(67,295)	-	(199,406)	(182,177)
Depreciation expense	(237,073)	(260,646)	(62,797)	(29,485)	-	(590,001)
Revaluation	2,686,485	-	-	-	-	2,686,485
Closing net carrying amount	**13,572,500**	**1,760,037**	**228,460**	**41,487**	**-**	**15,602,484**

Consolidated	Freehold land & buildings $	Furniture, Fixtures and Fittings $	Motor Vehicles $	Right of Use Vehicles $	Other works in progress $	Total $
Year ended 30 June 2021						
Opening net carrying amount	21,650,000	943,338	216,062	39,809	52,917	22,902,126
Transfer to investment property	(11,910,322)	-	-	-	-	(11,910,322)
Additions	-	2,048,584	100,104	70,569	199,405	2,418,662
Transfers/Disposals	-	(18,431)	(15,000)	-	(52,916)	(86,347)
Depreciation expense	(297,992)	(207,939)	(42,588)	(39,406)	-	(587,925)
Revaluation/(Impairment)	1,418,759	(798,528)	-	-	-	620,231
Closing net carrying amount	**10,860,445**	**1,967,024**	**258,578**	**70,972**	**199,406**	**13,356,425**

Land and buildings are recognised at fair value based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to reserves in equity.

The LGA identified that $590,209 of Furniture Fixtures and Fitting were non-seperable from the Freehold Land and Building valuation as at 30 June 2021. The Furniture Fixtures and Fittings value was reduced accordingly with transfers to Freehold land and buildings of $262,643 and Investment Properties of $327,566.

On 1 December 2020, when LG House become fully tenanted, $11,910,322 of land and buildings were transferred from Property Plant and Equipment to Investment Properties. Refer to note 15 for further details.

To the extent that an increase reverses a decrease previously recognised in the Statement of Surplus/(Deficit), the increase is first recognised in the Statement of Surplus/(Deficit). Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to the Statement of Surplus/(Deficit).

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to Statement of Surplus/(Deficit) and the depreciation based on the asset's original cost, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

14. Property, plant and equipment

All other property, plant and equipment is recognised at historical cost less depreciation.

Depreciation is calculated using a straight-line method to allocate cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	**2.50 %**
Building improvements	**10.00 %**
Furniture, fixtures and fittings	**7.50 - 33.00 %**
Motor vehicles	**25.00 %**
Right-of-use assets	**Over the lease term**

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Surplus/(Deficit) and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

The Group is of the opinion that the current situation regarding COVID19 has not significantly impacted the fair value of property, plant and equipment and that a material impairment of asset values has not occurred.

(a) Transfer to/from investment property

When the use of land or buildings changes from operational to investment property, the property is remeasured to fair value and reclassified as an investment property. Any gain arising on remeasurement is recognised directly in the asset revaluation reserve.

When the use of investment property changes to owner-occupied or operational purposes, the property is measured at fair value as per directors' valuation and reclassified as prepaid operating lease.

Notes to the Financial Statements

For the Year Ended 30 June 2022

15. Investment Properties

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
Opening Balances	**13,539,545**	-	**13,539,545**	-
Additions or/(transfers)	**327,566**	11,910,322	**327,566**	11,910,322
Gain / (loss) on revaluation of investment property	**3,060,388**	1,629,223	**3,060,388**	1,629,223
Balance at end of year	**16,927,499**	13,539,545	**16,927,499**	13,539,545

(a) Nature

Investment property is comprised of land and buildings intended to be leased to third parties and are not occupied by the Group. Land or buildings reclassified from Plant, Property and Equipment to Investment Property; or Land and buildings reclassified from Investment Property to Property, Plant and Equipment is described in note 14(a)

(b) Recognition and measurement

Investment properties are initially recognised at cost and are subsequently measured at fair value with any changes therein recognised in the Statement of Surplus/(Deficit).

At each balance date, an external independent Full Scope valuation of the building is undertaken to determine the fair value of the Investment Property. The Full Scope valuation process incorporates a site inspection with building price indices, inflation, interest rates and other factors which may impact market values. The independent valuation was conducted by Knight Frank in June 2022 for the 30 June 2022.

In undertaking the valuation Knight Frank has undertaken the Capitalisation of Net Income and Discounted Cash Flow (DCF) approach with adoption of the Net Lettable Area and rental calculation in accordance with the lease.

The fair value hierarchy used in calculating fair value has been classified as level 3 on the basis that there are significant inputs that are not observable market data. Unobservable inputs include Capitalisation rate, Discount rate and annual net property income per square metre.

COVID-19 considerations

The Groups overall investment property portfolio value has remained stable despite COVID-19. The investment properties exclude owner-occupied or operations purposes. The valuation includes commercial properties which are supported by high quality tenants with long leases.

The external valuer has carried out the valuations by applying assumptions regarding the reasonably possible impacts of COVID-19 based on information available as at balance date.

(c) Leasing arrangements

The investment properties are leased to tenants under long term leases with rental payments monthly.

Notes to the Financial Statements
For the Year Ended 30 June 2022

16. Intangible Assets

Parent	Computer software $	Total $
Year ended 30 June 2022		
Balance at the beginning of the year	**777,642**	**777,642**
Amortisation	**(140,477)**	**(140,477)**
Closing value at 30 June 2022	**637,165**	**637,165**

Parent	Computer software $	Total $
Year ended 30 June 2021		
Balance at the beginning of the year	918,119	918,119
Amortisation	(140,477)	(140,477)
Closing value at 30 June 2021	777,642	777,642

Consolidated	Computer software $	Total $
Year ended 30 June 2022		
	777,642	**777,642**
Amortisation	**(140,477)**	**(140,477)**
Closing value at 30 June 2022	**637,165**	**637,165**

Consolidated	Computer software $	Total $
Year ended 30 June 2021		
	918,119	918,119
Amortisation	(140,477)	(140,477)
Closing value at 30 June 2021	777,642	777,642

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods

IT development and software	8 years

Costs associated with maintaining software programmes are recognised as an expense as incurred. Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Intangible assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Notes to the Financial Statements
For the Year Ended 30 June 2022

16. Intangible Assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

17. Trade and other payables

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
CURRENT				
GST payable	**1,062,175**	1,041,612	**-**	-
Motor vehicles lease liability	**41,976**	71,518	**41,976**	71,518
Accrued expenses and other payables	**2,542,339**	2,473,084	**1,688,745**	2,166,946
Revenue and grants received in advance	**8,256,991**	7,593,686	**8,256,991**	7,593,686
	11,903,481	11,179,900	**9,987,712**	9,832,150

All amounts, apart from grants received in advance, represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured non-interest bearing and are usually paid within 30 days of recognition.

Grants received in advance represent amounts received before the year end that are contractually due for payment to the grantee in subsequent financial years.

The carrying amount of trade and other payables are considered to be the same as their fair values, due to their short term nature.

18. Employee benefits

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
CURRENT				
Long service leave	**385,786**	421,483	**277,699**	298,724
Annual leave	**450,182**	480,756	**344,060**	390,558
	835,968	902,239	**621,759**	689,282

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
NON-CURRENT				
Long service leave	**225,345**	201,136	**184,693**	183,777
	225,345	201,136	**184,693**	183,777

Notes to the Financial Statements
For the Year Ended 30 June 2022

18. Employee benefits

Short term obligations
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs. No liability for sick leave is recognised. The liabilities are presented as current employee benefit obligations in the balance sheet.

Based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.The following amounts reflect leave that is not expected to be taken or paid within the next 12 months for the Group $409,445 (2021: $429,067) and the parent, LGA $307,114 (2021: $325,651).

Long term obligations
A liability for employee long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees to the reporting date. Consideration is given to expected future wage and salary levels and period of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

19. Borrowings

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
CURRENT				
Other loans	**2,355,674**	2,277,018	**2,355,674**	2,277,018
	2,355,674	2,277,018	**2,355,674**	2,277,018
NON-CURRENT				
Other loans	**13,056,655**	15,412,329	**13,056,655**	15,412,329
	13,056,655	15,412,329	**13,056,655**	15,412,329

Borrowings are recognised at fair value. Borrowings are reduced in the balance sheet when the obligation specified in the loan agreement is discharged. The loan is a fixed interest loan and is due to be repaid in January 2028.

20. Unearned Member Contribution

Member contribution receivables is recognised as earned from the date of attachment of risk. The pattern recognised over the period of a year is based on time, which is considered to closely approximate the pattern of risks underwritten.

A liability of $10,854,199 (2020: $10,324,828) for contributions billed in advance has been recognised. These amounts offset equivalent amounts in contributions owing.

Notes to the Financial Statements
For the Year Ended 30 June 2022

21. Outstanding Claims Liability

	Consolidated		Parent	
	2022	2021	2022	2021
	$	$	$	$
Central Estimate	**38,836,606**	36,252,350	**-**	-
Discount to present value	**(3,292,906)**	(102,384)	**-**	-
	35,543,700	36,149,966	**-**	-
	35,543,700	36,149,966	**-**	-
Risk margin	**3,714,665**	4,104,796	**-**	-
Gross outstanding claims liability	**39,258,365**	40,254,762	**-**	-
Gross claims incurred	**42,551,271**	40,357,146	**-**	-
Current	**12,684,227**	13,340,144	**-**	-
Non-Current	**26,574,138**	26,914,618	**-**	-
	39,258,365	40,254,762	**-**	-

Outstanding claims

A provision of $39,258,365 (2021: $40,254,762) has been made for the estimated cost of claims notified but not settled at year end and for the cost of claims incurred by year end but not reported until after that date. This amount has been based on a methodology by consulting actuaries which incorporates the claims history of the scheme's prior year of operation.

Risk Margin

The risk margin is an additional allowance for uncertainty in the ultimate cost of claims. The Board determines the overall margin adopted after considering the uncertainty in the portfolio, industry trends and the Scheme's risk appreciation.

To determine the margin adopted, the Actuary concluded that a risk margin of 25% of net outstanding claims as outlined below would be reasonable if the Scheme was to have approximately 75% probability of its claim provisions proving reliable.

The risk margin is added to the central estimate of net outstanding claims liability reduced by the appropriate reinsurance recoveries provided.

Risk margin applied

The risk margins applied for 75% level adequacy are as follows

	2022	2021
	$	$
LGAMLS	**25.00 %**	25.00 %
LGAWCS	**20.00 %**	20.00 %

Notes to the Financial Statements
For the Year Ended 30 June 2022

21. Outstanding Claims Liability

Reconciliation of movement in discounted outstanding claims liability

	Gross		Recoveries		Net	
	2022	2021	2022	2021	2022	2021
	$	$	$	$	$	$
Balance at 1 July	**40,254,762**	42,522,089	**(16,627,845)**	(18,055,729)	**23,626,917**	24,466,360
Current year claims incurred	**13,678,859**	14,633,929	**(2,575,778)**	(2,687,446)	**11,103,081**	11,946,483
Previous years claims incurred	**1,812,446**	(3,470,357)	**(2,709,496)**	1,717,587	**(897,050)**	(1,752,770)
Incurred claims in income statement	**15,491,305**	11,163,572	**(5,285,274)**	(969,859)	**10,206,031**	10,193,713
All claims paid during the year	**(16,487,702)**	(13,430,899)	**3,267,509**	2,397,743	**(13,220,193)**	(11,033,156)
	39,258,365	40,254,762	**(18,645,610)**	(16,627,845)	**20,612,755**	23,626,917

22. Reserves

Asset revaluation reserve

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

Project reserves

The project reserve records funds received by the Local Government Association of South Australia from external providers. These funds are then distributed as per the relevant funding agreements. Also included within the reserve are LGA funded projects with carry forward balances.

Risk incentive reserve

The risk incentive reserve comprises accumulated retained earnings from the schemes which are set aside to support councils' risk mitigation projects.

23. Liability Adequacy Test

The liability adequacy tests conducted by the independent actuary has identified a surplus.

LGAMLS

The liability adequacy test identified the central estimate of the present value of future cash flows for future claims to be $4,486,000 (2021: $4,749,000) with an additional component of present value of expected future cash flows in relation to risk margin, net of reinsurance, to be $30,000 (2021: $30,000).

In performing this test a risk margin of 25% (2021 25%) was used to secure a 75% (2021 75%) probability of adequacy.

The probability of adequacy for the outstanding claims liability is set at a level that is appropriate and sustainable to cover the Scheme’s claims obligations after having regard to the prevailing market environment and prudent industry practice.

Notes to the Financial Statements
For the Year Ended 30 June 2022

23. Liability Adequacy Test

LGAWCS

The liability adequacy test identified the central estimate of the present value of future cash flows for future claims to be $11,710,000 (2021: $12,872,000) with an additional component of present value of expected future cash flows in relation to risk margin to be $1,952,000 (2021: $2,145,000).

In performing this test a risk margin of 20% (2021 20%) was used to secure a 75% (2021 75%) probability of adequacy.

The probability of adequacy for the outstanding claims liability is set at a level that is appropriate and sustainable to cover the Scheme's claims obligations after having regard to the prevailing market environment and prudent industry practice.

24. Contingencies

In the opinion of Board, the Association did not have any contingencies at 30 June 2022 (30 June 2021:None).

25. Interests in Subsidiaries

	Principal place of business / Country of Incorporation	Percentage Controlled (%)* 2022	Percentage Controlled (%)* 2021
Subsidiaries:			
Local Government Mutual Liability Scheme (1)	Australia	**-**	-
Local Government Workers Compensation Scheme (1)	Australia	**-**	-
LGCS Pty Ltd (Trustee for LGCS Trust No.1) trading as LGA Procurement	Australia	**100**	100
LGASA Mutual Pty Ltd	Australia	**100**	100

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

(1) The Local Government Association of South Australia has the capacity to control the Mutual Liability Scheme and Workers Compensation Scheme pursuant to the Local Government Act 1999 and they have been consolidated on that basis.

26. Key Management Personnel Remuneration

Key management personnel who have responsibility for the strategic direction and management of the Group include members of the Board and Chief Executive Officers. Total remuneration included within employee expenses for the year is shown below:

	2022 $	2021 $
Short-term employee benefits	**876,682**	891,293
Long-term benefits	**14,935**	129,460
Post-employment benefits	**111,956**	278,801
	1,003,573	1,299,554

Remuneration includes LGA, LGASA Mutual Pty Ltd and LGA Procurement.

26. Key Management Personnel Remuneration
Transactions with key management personnel and other related parties

Related parties of Group include all key management personnel and their close family members and any entity that is controlled by those persons. Close family members are defined in *AASB 124 Related party disclosures* to include children, spouse or partner, children of the spouse or partner and dependents of the key management personnel and their spouse or partner.

There are no transactions to disclose for key management personnel and related parties.

The Group transact with Councils and State Government Agencies of which Board members may be key management personnel on terms which are consistent with the Group's normal commercial arrangements as disclosed in Note 27.

27. Related Parties

Key management personnel - refer to Note 26.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

The following entities are considered related parties:

- Local Government Finance Authority
- SA Government Financing Authority

Loans to/from related parties

Unsecured loans are made to/from related parties on an arm's length basis. Repayment and interest terms are set for each loan and the loans are unsecured and repayable in cash.

	Opening balance $	Closing balance $	Interest income/ (expense) $	Interest receivable/ (payable) $
Loans from related parties				
2022	**(17,689,257)**	**(15,412,329)**	**(550,551)**	**(46,952)**
2021	(19,890,336)	(17,689,257)	(627,637)	(37,430)
Loans to related parties				
2022	**59,864,983**	**63,159,263**	**576,135**	**160,036**
2021	65,075,521	59,864,983	770,544	241,843

Notes to the Financial Statements

For the Year Ended 30 June 2022

28. Events after the end of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

29. Statutory Information

The registered office and principal place of business of the association is:

Local Government Association of South Australia
Local Government House
148 Frome Street
ADELAIDE SA 5000

Local Government Association of South Australia

Statement by Members of the Board

In the opinion of the Board the financial report as set out on pages 6 to 46:

1. Present fairly the results of the operations of Local Government Association of South Australia as at 30 June 2022 and its state of affairs for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board.

2. At the date of this statement, there are reasonable grounds to believe that Local Government Association of South Australia will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the committee and is signed for and on behalf of the committee by:

President .... Mayor Angela Evans

Chief Executive Officer.. Clinton Jury

Dated this ....23rd.. day of ....September...........2022

Independent auditor's report

To the members of Local Government Association of South Australia

Our opinion

In our opinion the accompanying financial report gives a true and fair view of the financial position of Local Government Association of South Australia (the Parent) and its controlled entities (together the Group) as at 30 June 2022 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and relevant South Australian Legislation.

What we have audited

The Parent and Group financial report comprises:

- the Parent and Consolidated statement of Surplus/(Deficit) and other comprehensive income for the year ended 30 June 2022
- the Parent and Consolidated statement of financial position for the year then ended
- the Parent and Consolidated statement of changes in equity for the year then ended
- the Parent and Consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the Statement by Members of the Board

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for internal purposes to assist Local Government Association of South Australia and its members. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Local Government Association of South Australia and its members and should not be used by parties other than Local Government Association of South Australia and its members. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757
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Other information

The members of the Board are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the members of the Board for the financial report

The members of the Board of the Parent are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such internal control as the members of the Board determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the members of the Board are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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 an 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

M. T. Lojszczyk
Partner

Adelaide
23 September 2022