



Financial Report

**Local Government
Association of South
Australia and Controlled
Entities**

Year Ended 30 June 2017

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LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity		Parent Entity	
		2017	2016	2017	2016
		\$	\$	\$	\$
Revenue from ordinary activities	5	43,882,575	40,848,638	8,787,345	6,625,578
Project income	7	7,405,125	9,773,482	7,405,125	9,773,482
Employee expenses		(4,107,199)	(3,879,310)	(3,893,074)	(3,686,551)
Depreciation expense	6(a)	(685,463)	(729,205)	(676,699)	(719,317)
Project expenditure	7	(9,467,432)	(17,040,363)	(9,467,432)	(16,596,578)
Net claims expense	6(b)	(14,125,233)	(15,964,914)	-	-
Workcover levy		(1,358,398)	(1,284,000)	-	-
Risk management fees		(3,290,084)	(1,685,263)	-	-
Catastrophe insurance expense		(8,109,525)	(7,907,308)	-	-
Excess and recoveries	6(b)	3,774,699	2,496,285	-	-
Other scheme expenses		(3,492,583)	(3,411,158)	-	-
Other expenses from ordinary activities		(8,132,380)	(6,462,491)	(3,744,180)	(2,558,520)
Profit / (Loss) from ordinary activities		2,294,102	(5,245,607)	(1,588,915)	(7,161,906)
Income tax expense		-	-	-	-
Profit / (Loss) from ordinary activities after tax		2,294,102	(5,245,607)	(1,588,915)	(7,161,906)
Other comprehensive income					
Revaluation gain - LGA House		3,141,875	-	3,141,875	-
Total comprehensive profit / (loss) for the year		5,435,977	(5,245,607)	1,552,960	(7,161,906)

The accompanying notes form part of the financial statements

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity		Parent Entity	
		2017	2016	2017	2016
		\$	\$	\$	\$
Cash and cash equivalents	11	11,007,508	5,931,332	2,869,703	2,122,913
Trade and other receivables	12	16,750,300	42,979,711	1,857,097	2,685,508
Other current assets	13	675,453	622,290	36,782	36,252
Financial assets	14	17,051,786	58,403,551	-	-
Total Current Assets		45,485,047	107,936,884	4,763,582	4,844,673
Non-current assets					
Trade and other receivables	12	9,160,084	8,060,651	-	-
Financial assets	14	49,459,454	11,233,158	2	4
Property, plant and equipment	15	22,734,657	20,449,174	22,688,470	20,412,357
Total Non-Current Assets		81,354,195	39,742,983	22,688,472	20,412,361
TOTAL ASSETS		126,839,242	147,679,867	27,452,054	25,257,034
Current liabilities					
Trade and other payables	16	2,888,215	4,983,240	847,600	733,095
Short term borrowings		500,000	-	500,000	-
Short term provisions	17	581,408	576,486	580,552	576,486
Unearned member contributions	18	10,239,976	33,273,082	-	-
Outstanding claims liability	19	14,964,899	14,005,652	-	-
Total Current Liabilities		29,174,498	52,838,460	1,928,152	1,309,581
Non-current liabilities					
Long term provisions	17	233,753	210,187	148,676	125,187
Outstanding claims liability	19	19,944,619	18,580,825	-	-
Total Non-Current Liabilities		20,178,372	18,791,012	148,676	125,187
TOTAL LIABILITIES		49,352,870	71,629,472	2,076,828	1,434,768
NET ASSETS		77,486,372	76,050,395	25,375,226	23,822,266
EQUITY					
Reserves	20	14,423,214	17,487,466	14,423,214	17,487,470
Retained profits		63,063,158	58,562,929	10,952,012	6,334,796
TOTAL EQUITY		77,486,372	76,050,395	25,375,226	23,822,266

The accompanying notes form part of the financial statements

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity 2017	Retained	Building	Employee	Asset	Project	Total
	Profits	Maintenance	Entitlement	Revaluation	Reserves	
		& Equipment	Reserve	Reserve		
	\$	\$	\$	\$	\$	\$
Equity as at beginning of year	58,562,929	3,219,215	701,671	4,601,429	8,965,151	76,050,395
Total profit for the year	2,294,102	-	-	-	-	2,294,102
Other comprehensive income - Revaluation gain	-	-	-	3,141,875	-	3,141,875
Transfer (to)/from reserves	3,142,411	(884,725)	27,555	-	(2,285,241)	-
Distribution of funds to members	(4,000,000)	-	-	-	-	(4,000,000)
Transfer (to)/from retained earnings	3,063,716	(2,334,490)	(729,226)	-	-	-
Equity as at 30 June 2017	63,063,158	-	-	7,743,304	6,679,910	77,486,372

2016	Retained	Building	Employee	Asset	Project	Total
	Profits	Maintenance	Entitlement	Revaluation	Reserves	
		& Equipment	Reserve	Reserve		
	\$	\$	\$	\$	\$	\$
Equity as at beginning of year	59,100,443	2,684,172	818,992	4,601,429	16,590,966	83,796,002
Total (loss) for the year	(5,245,607)	-	-	-	-	(5,245,607)
Other comprehensive income	-	-	-	-	-	-
Transfer (to)/from reserves	7,208,093	535,043	(117,321)	-	(7,625,815)	-
Distribution of funds to members	(2,500,000)	-	-	-	-	(2,500,000)
Equity as at 30 June 2016	58,562,929	3,219,215	701,671	4,601,429	8,965,151	76,050,395

The accompanying notes form part of the financial statements

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Parent 2017	Retained Profits	Building Maintenance & Equipment Reserve	Employee Entitlement Reserve	Asset Revaluation Reserve	Project Reserves	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of year	6,334,796	3,219,217	701,673	4,601,429	8,965,151	23,822,266
Total (loss) for the year	(1,588,915)	-	-	-	-	(1,588,915)
Other comprehensive income - Revaluation gain	-	-	-	3,141,875	-	3,141,875
Transfer (to)/from reserves	3,142,411	(884,725)	27,555	-	(2,285,241)	-
Transfer (to)/from retained earnings	3,063,720	(2,334,492)	(729,228)	-	-	-
Equity as at 30 June 2017	10,952,012	-	-	7,743,304	6,679,910	25,375,226
2016	Retained Profits	Building Maintenance & Equipment Reserve	Employee Entitlement Reserve	Asset Revaluation Reserve	Project Reserves	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of year	6,732,398	2,684,172	818,992	4,601,429	16,147,181	30,984,172
Total (loss) for the year	(7,161,906)	-	-	-	-	(7,161,906)
Other comprehensive income - Revaluation gain	-	-	-	-	-	-
Transfer (to)/from reserves	6,764,304	535,045	(117,319)	-	(7,182,030)	-
Equity as at 30 June 2016	6,334,796	3,219,217	701,673	4,601,429	8,965,151	23,822,266

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity		Parent Entity	
		2017	2016	2017	2016
		\$	\$	\$	\$
Cash from operating activities:					
Receipts from operations		48,838,283	43,314,905	9,542,352	7,035,910
Payments to suppliers and employees		(22,620,424)	(19,726,237)	(7,219,345)	(5,218,947)
Project funding received		7,405,125	8,477,676	7,405,125	7,521,351
Project funding expensed		(9,576,542)	(16,568,624)	(9,576,542)	(16,568,624)
Outward reinsurance premium paid		(8,854,101)	(8,377,165)	-	-
Claims paid		(11,920,623)	(15,701,089)	-	-
Interest received		2,294,617	2,650,564	70,746	129,762
Total cash (used in) / from operating activities	26	5,566,335	(5,929,970)	222,336	(7,100,548)
Cash from investing activities:					
Payment for financial assets		-	(283,003)	-	-
Proceeds from financial assets		3,000,002	-	2	-
Payment for property, plant and equipment		(43,884)	(112,489)	(12,816)	(94,448)
Proceeds on sale of plant and equipment		53,723	-	37,268	-
Total cash from / (used in) investing activities		3,009,841	(395,492)	24,454	(94,448)
Cash from financing activities:					
Proceeds from borrowings		500,000	-	500,000	-
Distribution to fund members		(4,000,000)	(2,500,000)	-	-
Total cash (used in) financing activities		(3,500,000)	(2,500,000)	500,000	-
Net cash increase / (decrease) in cash and cash equivalents		5,076,176	(8,825,462)	746,790	(7,194,996)
Cash and cash equivalents at beginning of the year		5,931,332	14,756,794	2,122,913	9,317,909
Cash and cash equivalents at end of the year	11	11,007,508	5,931,332	2,869,703	2,122,913

The accompanying notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES

General Information

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the requirements of the Local Government Act 1999.

The financial statements cover the consolidated entity of Local Government Association of South Australia Inc. and controlled entities, and Local Government Association of South Australia Inc. as an individual entity. Local Government Association of South Australia Inc. is a public authority established under the Local Government Act 1999. The Association is a not-for-profit entity for the purposes of preparing the financial statements.

The financial statements of Local Government Association of South Australia Inc. and controlled entities and Local Government Association of South Australia Inc. as an individual entity comply with all the International Financial Reporting Standards (IFRS) in their entirety.

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

Basis of Preparation

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which fair value basis of accounting has been applied.

(a) Income Tax

The Local Government Association of SA Inc. is exempt from income tax under the Income Tax Assessment Act.

(b) Principles of Consolidation

A controlled entity is any entity Local Government Association of SA Inc. has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is noted below and contained in Note 23 to the financial statements. All controlled entities have a June financial year end.

- Local Government Mutual Liability Scheme
- Local Government Workers Compensation Scheme
- LGCS Pty Ltd
- LGCS Trust No.1 trading as Local Government Association Procurement

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where 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 control ceased.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(c) **Property, Plant and Equipment (Cont)**

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated using a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rate
Buildings	2.5%
Plant and equipment	7.5 - 33%
Motor vehicles	25%
Building refurbishments	10%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation relating to that asset are transferred to retained earnings.

(d) **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(d) **Financial Instruments (Cont)**

Held-to-maturity investments

These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the consolidated entity reviews the carrying values 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 profit or loss.

(e) **Impairment of Non-Financial Assets**

At each reporting date, the entity 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 profit or loss.

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.

(f) **Employee Benefits**

Wages & salaries, annual leave and sick leave

Provision is made for the consolidated entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year arising from wages and salaries and annual leave 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.

Long service leave

A liability for employee gratuity schemes is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employees 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(f) **Employee Benefits (Cont)**

Superannuation

A liability is not recognised in respect to unfunded liabilities arising from superannuation schemes to which the consolidated entity contributes. Unfunded liabilities are defined as the difference between the present value of employees' accrued benefits at the reporting date and the net market value of the superannuation scheme's asset at that date.

(g) **Unearned Contributions**

A liability of \$10,239,976 (2016: \$33,273,082) for contributions billed in advance has been recognised. These amounts offset equivalent amounts in contributions owing.

(h) **Workers Compensation Claims**

Claims incurred expense and liability for outstanding claims are recognised in respect of direct business. 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'.

Superimposed 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 reporting 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 that:

	2017	2016
Inflation rate	3.50%	3.00%
Super imposed inflation	2.00%	2.00%
Discount rate	2.00%	1.50%

(i) **Outstanding Insurance Claims**

A provision of \$34,909,518 (2016: \$32,586,477) has been made for the estimated cost of claims notified but not settled at year end 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.

(j) **Excesses and Recoveries**

Excesses and other recoveries are brought to account only where a definite set of circumstances exist which will support the credibility of the justification of obtaining either a recovery of excess from a member or a recovery of claim cost from a third party.

(k) **Investments**

All short-term deposits are invested with the Local Government Finance Authority of South Australia (LGFA) at market rates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(l) Premium Revenue

Direct premium comprises amounts charged to the policy holder or other insurers, but excluding stamp duties and other amounts collected on behalf of third parties.

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of the attachment of risk.

The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

(m) Revaluation of Non-Current Assets

Land and buildings are revalued to reflect their fair values on a regular basis.

To the extent that the revaluation decrement reversed a revaluation increment previously credited to and still included in the balance of the asset revaluation reserve, the decrement was debited directly to that reserve. Otherwise the decrement is recognised as an expense in the statement of profit or loss.

(n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(o) Trade and Other Debtors

Trade debtors are recognised for the major business activities as follows:

- Subscriptions
- Premiums
- Rent
- Administration charges
- Consulting fees

(p) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(q) Revenue

Income is measured at the fair value of the consideration received or receivable.

Investment income is taken into account on an accrual basis and includes any changes in the net market value of investments during the financial year.

Grants, contributions and project funding that were received on the condition that they be expended in a particular manner have been recognised as income in the year received as it is the intention of the LGA to spend these funds in the manner intended. Unspent monies are transferred to reserve for allocation of expenditure in future years.

Revenue arising from the grant of monies is recognised when the LGA gains control of the grant or the right to receive the grant. Grant monies outstanding at year end to be distributed in accordance with the terms of the funding agreement are recognised as a liability.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(q) Revenue (Cont)

Member contributions - Schemes

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 profit or loss and other comprehensive income when it has been earned. The proportion of members' contribution 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.

Reinsurance and other recoveries - Schemes

Reinsurance and other recoveries on paid claims, reported claims not yet paid and IBNR (claims Incurred But Not 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.

(r) Classification of Insurance Contracts - Schemes

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.

For the purposes of these financial statements only, the arrangements entered into with members to provide indemnity cover are treated as insurance contracts.

These arrangements exist whereby the Schemes may accept significant insurance risk from the members by making discretionary decisions on whether to compensate the members for a future civil liability event.

Insurance risk is risk, other than financial risk.

(s) Unexpired Risk Liability - Schemes

At each reporting date the Schemes assess whether the unearned members' contribution liability sufficient to cover all expected future cash flows relating to future claims against current insurance 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(s) **Unexpired Risk Liability - Schemes (Cont)**

The entire deficiency, gross and net of reinsurance, is recognised immediately in the statement of profit 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.

(t) **Outwards Reinsurance - Schemes**

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

(u) **Claims - Schemes**

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 settlement of a claim.

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. 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 in August 2017, by Cumpston Sarjeant Pty Ltd. This review was based on initial claims data to 31 March 2017 with findings in their report issued in May 2017. This report was updated with claims data to 30 June 2017 and included in their report issued in August 2017.

An Actuarial peer review is conducted every three years. A peer review was conducted for the financial period ended 30 June 2017 by Taylor Fry Pty Ltd, consulting actuaries and analytical professionals.

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.

(v) **Catastrophe Margin - LGA - Workers Compensation Scheme**

In addition to claims outstanding in Note 1(u) the 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(w) Assets Backing General Insurance Liabilities - Schemes

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

The Schemes have 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 profit or loss.

The accounting policies applying to assets held to back general insurance activities are:

Financial Assets

The Schemes value financial assets and any assets backing insurance activities at fair value through profit or loss. 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 held 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 profit or loss and other comprehensive income.

(x) Capital Management Policy

The Association inclusive of the Scheme'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, the Association 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.

The Association 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 Board's targeted surplus. This strategy is unchanged from 2015.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(z) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(aa) Accounting standards issued but not yet effective and not been adopted early by the consolidated Entity

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the consolidated entity. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out the new rules for hedge accounting. The standard is not applicable until 1 January 2017 but is available for early adoption. The consolidated entity has not yet decided when to adopt AASB 9. The consolidated entity is still assessing the impact of these amendments.

(ii) Revenue from contracts with customers

Revenue from contracts with customers (effective 1 July 2017)

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risk and rewards.

The consolidated entity has not yet considered the impact of the new rules on its revenue recognition policies. It will undertake a detailed assessment in the near future.

There are no other standards that are not yet effective and that are expected to have a material impact on the consolidated entity in the current or future reporting periods and on foreseeable future transactions.

(iii) AASB 16 Leases

AASB 16 replaces AASB 117 Leases and some lease related Interpretations. The new standard requires all leases to be accounted for as 'on-balance sheet' by lessees, other than short term and low value asset leases. The standard provides new guidance on the application of the definition of lease and on sale and lease back accounting. The standard also requires new and different disclosures about leases. This standard does not apply mandatorily before 1 January 2019. Adoption of this amendment will not result in a material impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2 - ACCOUNTING ESTIMATES AND JUDGEMENTS

The Schemes make estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually reviewed and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates and judgements are applied are described below:

a. Estimation of outstanding claims liability

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not yet reported ("IBNR") to the Schemes.

The Schemes take all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome may be different from the original liability established.

Provisions are calculated gross of all recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers and any third party.

The determination of an appropriate outstanding claims provision involves:

- (i) Establishing a case estimate for each reported claim at year-end taking into account legal advice where appropriate on larger claims;
- (ii) A development allowance on the net outstanding balance of reported claims and confirmed as appropriate by the Actuary;
- (iii) Allowances for re-opened and incurred but not reported claims as confirmed by the actuarial review in August 2017;
- (iv) An allowance for recoveries that reduce the liability to the member, confirmed by the actuarial review in August 2017;
- (v) A zero allowance for claim settlement expenses on open claims and a small allowance, as assumed by the Actuary for claim settlement expenses on IBNR claims;
- (vi) Allowances for discount at 2.00% (2016: 1.50%), as assumed by the Actuary;
- (vii) A risk margin of 25% (2016: 25%) of net outstanding claims after the effect of reinsurance has been applied, as assumed by the Actuary.

b. Assets arising from reinsurance contracts

Details of specific actuarial assumptions used in deriving the outstanding claims liability at year-end are detailed in note 3.

Assets arising from reinsurance contracts were estimated for each accident year, from the payments to date and estimated outstanding claims history at 30 June 2017, 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 actuary. Although all relevant insurers are solvent a provision for failure of an insurer to pay has been raised. The reinsurer default provision is \$74,727 (2016 \$68,728) calculated at a rate of 0.63% (2016 0.63%) on the discounted value of the total reinsurance recoveries.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3 - ACTUARIAL ASSUMPTIONS AND METHODS - SCHEMES:

Actuarial Assumptions

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

Key Actuarial Assumptions	Local Government Mutual Liability Scheme		Local Government Workers Compensation Scheme	
	2017	2016	2017	2016
	Case estimate development	(7.5%)	(7.5%)	-
Wage inflation	3.50%	3.00%	3.50%	3.00%
Superimposed inflation	2.00%	2.00%	2.00%	2.00%
Discount rate	2.00%	1.50%	2.00%	1.50%

Process used to determine actuarial assumptions

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

In their reviews on 1 August 2017, the Actuary was provided with claims data on claims incurred net of excesses and anticipated recoveries from a third party. The Actuary allowed for:

Developments in case estimates on reported claims based on an explicit case development parameter or Projected 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 averages of reported claims;

Expected investment earnings by applying a fitted payment pattern to the undiscounted sum of the above components and then discounting 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 -7.5% (2016: -7.5%) for all accident years.

Wage inflation

The Actuary assumed wage inflation of 3.50% (2016: 3.00%) per annum, based on recent inflation levels in South Australia.

Claim administration expense

The Actuary has not made an allowance for claim administration expenses on open claims as the amount of fees already represent about 4.5% of payments. However, an allowance of \$147,455 was made in respect of IBNR claims. The amounts allowed are comparable to those normally made by public liability and professional indemnity insurers.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3 - ACTUARIAL ASSUMPTIONS AND METHODS (CONT)

Superimposed inflation

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

	2017
Local Government Mutual Liability Scheme	2.00%
Local Government Workers Compensation Scheme	2.00%

Superimposed inflation occurs due to non-economic effects such as court settlements increasing at a faster rate than wages or CPI inflation.

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 Actuary assumed a discount rate of 2.00% per annum (2016: 1.50%) based on current medium-term bond yields.

Sensitivity Analysis

The outstanding claims liability included in the reported results are 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 Scheme.

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

Variable	Impact of movement in variable
Wage inflation	Expected future payments are inflated to take account of inflationary increases. An increase or decrease in the assumed levels of economic inflation would have a corresponding impact on claims expense, 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 estimate will change. This development movement is applied to open claims and will have a corresponding impact on claims expense.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3 - ACTUARIAL ASSUMPTIONS AND METHODS (CONT)

Impact of changes in key variables

(i) *Local Government Association Mutual Liability Scheme*

Variable	Movement in Variable	Surplus/(loss)		Total Accumulated Funds	
		Movement by applying variable Gross of reinsurance	Net of reinsurance	Total Accumulated Funds	
Wage inflation	3%	1,040,000	67,000	(68,000)	
	(3%)	(904,000)	(59,000)	58,000	
Superimposed inflation	3%	1,052,000	54,000	(55,000)	
	(3%)	(913,000)	(48,000)	47,000	
Discount Rate	3%	(1,050,000)	(55,000)	54,000	
	(3%)	1,285,000	66,000	(67,000)	
Case-estimate development	5%	1,314,000	12,000	(12,000)	
	(5%)	(1,080,000)	(11,000)	10,000	

(ii) *Local Government Association Works Compensation Scheme*

Variable	Movement in Variable	Surplus/(loss)		Total Accumulated Funds	
		Movement by applying variable Gross of reinsurance	Net of reinsurance	Total Accumulated Funds	
Wage inflation	3%	481,000	481,000	(481,000)	
	(3%)	(400,000)	(400,000)	400,000	
Superimposed inflation	3%	488,000	488,000	(489,000)	
	(3%)	(406,000)	(406,000)	405,000	
Discount Rate	3%	(1,093,000)	(1,093,000)	1,093,000	
	(3%)	1,314,000	1,314,000	(1,314,000)	

NOTE 4 - INSURANCE CONTRACTS - RISK MANAGEMENT - SCHEMES

Risk management objectives and policies for mitigating insurance risk

The Schemes are established by legislation contained in the Local Government Act 1999. Membership is available to local government councils and prescribed bodies. The Schemes operates 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 Scheme Rules, The Local Government Association may in its sole and absolute discretion determine whether indemnity will be granted in respect of a claim. Should indemnity be granted the Scheme offers unlimited cover.

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

Risk management objectives and policies for mitigating insurance risk (Cont)

The principal risk is that the frequency and severity of claims is greater than expected. Civil Liability Risk events are, by their nature, random, and the actual number and size of events during any one-year may vary from those estimated using established statistical techniques.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4 - INSURANCE CONTRACTS - RISK MANAGEMENT (CONT)

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

The Schemes have an objective to control insurance risk thus reducing the volatility of its operating surplus. In addition to the inherent uncertainty of 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.

The Schemes 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

The Schemes adopt a conservative approach towards management of risk and does this by utilising various risk transfer options. The Board of the schemes determine the level of risk, which is appropriate for the Schemes 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. 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 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 the Schemes.

In the past ten years, the Schemes have managed its reinsurance program and risk transfer arrangements so that the exposure to each claim has been markedly reduced. The Schemes have maintained its Treasurer's Indemnity on a long-term basis with an expiry in 2021.

Terms and conditions of membership

Membership to the Schemes is offered to eligible bodies and renewed annually on 30th 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 Scheme 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 Schemes 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)

The Scheme operates in South Australia, whereby the Local Government Association of South Australia 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 insurance risks that affect the Schemes are contribution risk, and claims experience risk.

Contribution risk is the risk that the Scheme does not charge contributions appropriate for the indemnity cover it provides. The Scheme partially manages contribution risk through its 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4 - INSURANCE CONTRACTS - RISK MANAGEMENT (CONT)

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

Concentration of insurance risks

Insurance risk is 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 Scheme keeps abreast of changes in the general economic, legal and commercial environment in which it operates.

Interest rate risk

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

Credit risk

The Scheme is exposed to credit risk on insurance contracts as a result of exposure to reinsurers. The credit risk to reinsurers is managed through the Scheme 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 12 in relation to the Mutual Liability Scheme, the credit risk exposure is equal to the undiscounted aggregate value of claims. As at 30 June 2017 this amounted to \$15.72 million (2016: \$14.76 million).

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
NOTE 5 - REVENUE				
Operating activities				
Subscriptions	2,173,287	2,120,276	2,173,287	2,120,276
Contract income	1,113,946	510,057	-	-
Member contributions				
Gross earned member contributions	48,061,599	47,033,009	-	-
Rebate to members	(14,895,687)	(14,609,284)	-	-
Net member contribution revenue	33,165,912	32,423,725	-	-
	36,453,145	35,054,058	2,173,287	2,120,276
Non-operating activities				
Interest received	2,140,958	2,662,735	72,874	141,258
Administration charges	1,278,753	1,170,264	2,225,096	2,094,928
Rent and outgoings	1,154,958	1,573,553	1,466,345	1,883,734
Other revenue	2,854,761	388,028	2,849,743	385,382
	7,429,430	5,794,580	6,614,058	4,505,302
	43,882,575	40,848,638	8,787,345	6,625,578

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
NOTE 6 - (LOSS) FROM ORDINARY ACTIVITIES				
(Loss) from ordinary activities has been determined after:				
(a) Expenses				
Depreciation of non-current assets	685,463	729,205	676,699	719,317
(b) Net Claims Expense				
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.				
			2017	
	Current year	Prior years	Net	
	\$	\$	\$	
Gross claims (credit) / expense				
Gross claims and related expenses - undiscounted	18,383,204	(3,815,450)	14,567,754	
Discount	(652,053)	209,532	(442,521)	
Net claims expense	17,731,151	(3,605,918)	14,125,233	
Reinsurance and other recoveries revenue				
Reinsurance and other recoveries revenue - undiscounted	(5,058,529)	965,171	(4,093,358)	
Discount	391,985	(73,326)	318,659	
Reinsurance and other recoveries - discounted	(4,666,544)	891,845	(3,774,699)	
Net claims (credit) / incurred	13,064,607	(2,714,073)	10,350,534	
			2016	
	Current year	Prior years	Net	
	\$	\$	\$	
Gross claims (credit) / expense				
Gross claims and related expenses - undiscounted	13,665,076	1,965,036	15,630,112	
Discount	(307,027)	641,828	334,801	
Net claims expense	13,358,049	2,606,864	15,964,913	
Reinsurance and other recoveries revenue				
Reinsurance and other recoveries revenue - undiscounted	(2,863,836)	419,936	(2,443,900)	
Discount	147,504	(199,888)	(52,384)	
Reinsurance and other recoveries - discounted	(2,716,332)	220,048	(2,496,284)	
Net claims (credit) / incurred	10,641,717	2,826,912	13,468,629	

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 7 - PROJECT INCOME AND EXPENDITURE

The Local Government Association of South Australia Incorporated received project funding from external sources, including State and Federal Governments. These funds are then distributed to and spent by Council's and other Local Government Authorities in accordance with the funding agreements in place.

Project funds received and paid during the year and the effect this has had on the operating result is set out below:

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Opening balance 1 July	8,965,151	16,590,966	8,965,151	16,147,181
Income	7,450,808	9,773,482	7,450,808	9,773,482
Employee Expenses	(733,632)	(734,936)	(733,632)	(734,936)
Depreciation	(83,517)	(16,833)	(83,517)	(16,833)
Other Expenses	(8,650,281)	(16,288,594)	(8,650,281)	(15,844,809)
Total project expenses	(9,467,430)	(17,040,363)	(9,467,430)	(16,596,578)
Net project income / (expense)	(2,016,622)	(7,266,881)	(2,016,622)	(6,823,096)
Adjustment for internal charges	(268,619)	(358,934)	(268,619)	(358,934)
	(2,285,241)	(7,625,815)	(2,285,241)	(7,182,030)
Closing balance 30 June	6,679,910	8,965,151	6,679,910	8,965,151

NOTE 8 - LIABILITY ADEQUACY TEST - SCHEMES

The liability adequacy test conducted by the Actuary has identified a surplus.

Local Government Association Mutual Liability Scheme

The liability adequacy test identified the central estimate of the present value of future cash flows for future claims to be \$4,504,000 (2016: \$3,561,000) with an additional component of present value of expected future cash flows in relation to risk margin, net of reinsurance, to be \$29,000 (2016: \$23,000).

In performing this test a risk margin of 25% was used to secure a 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.

Local Government Association Workers Compensation Scheme

The liability adequacy test identified the central estimate of the present value of future cash flows for future claims to be \$10,974,000 (2016: \$11,405,000) with an additional component of present value of expected future cash flows in relation to risk margin to be \$2,260,000 (2016: \$2,348,000).

In performing this test a risk margin of 20% was used to secure a 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.

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9 - KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Benefit	Post Employment Benefit	Total
	\$	\$	\$
2017			
Total compensation	233,810	30,763	264,573
2016			
Total compensation	226,274	29,533	255,806

NOTE 10 - AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

	Consolidated Entity 2017	2016	Parent Entity 2017	2016
	\$	\$	\$	\$
(i) auditing or reviewing the financial report:				
- Grant Thornton	35,000	40,500	35,000	34,000
(i) non-auditing services				
- Grant Thornton	6,500	6,500	6,500	6,500

Remuneration of other auditors of Schemes for:

(i) auditing or reviewing the financial report of subsidiaries				
- PricewaterhouseCoopers	70,000	61,200	-	-
	111,500	108,200	41,500	40,500

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents	11,007,508	5,931,332	2,869,703	2,122,913
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The effective interest rate on short-term deposits was 2.00% (2016: 2.00%).

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	11,007,508	5,931,332	2,869,703	2,122,913
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LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
NOTE 12 - TRADE AND OTHER RECEIVABLES				
CURRENT				
Trade receivables	962,009	1,389,215	625,818	1,150,259
Member contribution receivable	11,285,914	36,613,155	-	-
Accrued income	1,755,439	2,071,858	1,231,279	1,535,249
Reinsurance and other recoveries receivables:				
Reinsurance recoveries on paid claims	120,222	125,655	-	-
Reinsurance recoveries receivable	2,842,564	2,944,946	-	-
Discount to present value	(199,195)	(147,494)	-	-
Reinsurer default provision	(16,653)	(17,624)	-	-
Net reinsurance and other recoveries receivables	2,746,938	2,905,483	-	-
	<u>16,750,300</u>	<u>42,979,711</u>	<u>1,857,097</u>	<u>2,685,508</u>
NON-CURRENT				
Reinsurance and other recoveries receivables:				
Reinsurance recoveries receivable	9,912,804	8,539,443	-	-
Discount to present value	(694,646)	(427,688)	-	-
Reinsurer default provision	(58,074)	(51,104)	-	-
Net reinsurance and other recoveries receivables	9,160,084	8,060,651	-	-
	<u>9,160,084</u>	<u>8,060,651</u>	<u>-</u>	<u>-</u>

Member contributions (Schemes) moved to quarterly in advance billing cycle from annual for the annual year for the 2017/18 financial year.

NOTE 13 - OTHER ASSETS

CURRENT

Prepayments

675,453	622,290	36,782	36,252
<u>675,453</u>	<u>622,290</u>	<u>36,782</u>	<u>36,252</u>

NOTE 14 - FINANCIAL ASSETS

Financial assets	(a)	-	-	2	4
Deposits - LGFA ⁽¹⁾		66,511,240	69,636,709	-	-
		<u>66,511,240</u>	<u>69,636,709</u>	<u>2</u>	<u>4</u>
Less: non-current portion		49,459,454	11,233,158	2	4
Current portion		<u>17,051,786</u>	<u>58,403,551</u>	<u>-</u>	<u>-</u>

(1) Investments comprise deposits at call and deposits for terms with varying maturity dates at market rates with the Local Government Finance Authority of South Australia (LGFA). Investments are initially brought to account at cost and subsequently remeasured to fair value through the profit and loss.

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 14 - FINANCIAL ASSETS (CONT)	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
a. Financial Assets comprise:				
Shares in Local Super Pty Ltd				
- at cost	-	-	2	2
Shares in Statewide Superannuation Pty Ltd				
- at cost	-	-	-	2
Investment in LGCS Pty Ltd and LGCS Trust No 1				
- at cost	-	-	50,000	50,000
- less impairment	-	-	(50,000)	(50,000)
	-	-	2	4

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS

Freehold land				
- at valuation	3,500,000	2,915,806	3,500,000	2,915,806
Buildings				
- at valuation	17,700,000	16,734,194	17,700,000	16,734,194
Less: accumulated depreciation	(110,322)	(1,255,065)	(110,322)	(1,255,065)
	17,589,678	15,479,129	17,589,678	15,479,129
Total land and buildings	21,089,678	18,394,935	21,089,678	18,394,935

PLANT AND EQUIPMENT

Building improvements				
At cost	290,996	290,996	290,996	290,996
Less: accumulated depreciation	(187,824)	(178,517)	(187,824)	(178,517)
	103,172	112,479	103,172	112,479
Office furniture and equipment				
At cost	3,311,609	3,284,460	3,311,609	3,283,323
Capital work in progress	-	102,772	-	102,772
Less: accumulated depreciation	(1,943,082)	(1,708,983)	(1,943,082)	(1,708,008)
	1,368,527	1,678,249	1,368,527	1,678,087
Motor vehicles				
At cost	279,695	363,871	230,585	304,483
Less: accumulated depreciation	(106,415)	(100,360)	(103,492)	(77,627)
	173,280	263,511	127,093	226,856
Total plant and equipment	1,644,979	2,054,239	1,598,792	2,017,422
Total property, plant and equipment	22,734,657	20,449,174	22,688,470	20,412,357

The Association's land and buildings were revalued at 31 March 2017 by independent valuers, Maloney Field Services. Valuations were made on the basis of open market value. The revaluation surplus was credited to a revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (CONT)

(a) Movements in Carrying Amounts

Consolidated	Freehold Land & Buildings \$	Building Improvements \$	Office Furniture & Equipment \$	Motor Vehicles \$	Total \$
Balance at the beginning of year	18,394,935	112,479	1,678,249	263,511	20,449,174
Additions	-	-	28,285	31,069	59,354
Revaluation	3,141,875	-	-	-	3,141,875
Capital work in progress	-	-	-	-	0
Disposals	-	-	(146)	(44,106)	(44,252)
Impairment	-	-	(102,514)	-	(102,514)
Depreciation expense	(447,132)	(9,307)	(235,347)	(77,194)	(768,980)
Carrying amount at the end of year	21,089,678	103,172	1,368,527	173,280	22,734,657

Parent	Freehold Land & Buildings \$	Building Improvements \$	Office Furniture & Equipment \$	Motor Vehicles \$	Total \$
Balance at the beginning of year	18,394,935	112,479	1,678,087	226,856	20,412,358
Additions	-	-	28,285	-	28,285
Revaluation	3,141,875	-	-	-	3,141,875
Capital work in progress	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	(102,772)	(31,059)	(133,831)
Depreciation expense	(447,132)	(9,307)	(235,073)	(68,704)	(760,216)
Carrying amount at the end of year	21,089,678	103,172	1,368,527	127,093	22,688,471

Consolidated Entity		Parent Entity	
2017	2016	2017	2016
\$	\$	\$	\$

NOTE 16 - TRADE AND OTHER PAYABLES

CURRENT

Trade payables	598,100	240,339	592,020	238,459
Sundry creditors and accruals	1,157,407	1,145,136	158,139	237,617
Australian Taxation Office payable	1,065,995	3,531,920	30,728	191,174
The Jim Crawford Award Trust	66,713	65,845	66,713	65,845
	2,888,215	4,983,240	847,600	733,095

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17 - PROVISIONS

	Catastrophe margin	Annual leave	Long service leave	Total
Parent				
At 30 June 2016	-	270,735	430,938	701,673
At 30 June 2017	-	275,080	454,225	729,305
Consolidated				
At 30 June 2016	85,000	270,735	430,938	786,673
At 30 June 2017	85,000	275,936	454,225	815,161
	Consolidated Entity 2017	2016	Parent Entity 2017	2016
	\$	\$	\$	\$
Analysis of Total Provisions				
Current	581,408	576,486	580,552	576,486
Non-current	233,753	210,187	148,676	125,187
	815,161	786,673	729,228	701,673

NOTE 18 - UNEARNED MEMBER CONTRIBUTION
LIABILITY

CURRENT				
Unearned members' contribution liability at 1 July	33,273,082	32,384,567	-	-
Members' contribution written in the year	10,132,806	33,312,240	-	-
Earning of members' contribution during the year	(33,165,912)	(32,423,725)	-	-
Unearned members' contribution liability at 30 June	10,239,976	33,273,082	-	-

Member contributions (Schemes) moved to quarterly in advance billing cycle from annual for the annual year for the 2017/18 financial year.

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19 - OUTSTANDING CLAIMS LIABILITY		Consolidated Entity		Parent Entity	
		2017	2016	2017	2016
		\$	\$	\$	\$
(a) Calculation					
Central Estimate	(A)	31,947,039	29,481,846	-	-
Discount to present value		(1,613,978)	(1,171,456)	-	-
		30,333,061	28,310,390	-	-
Claims Handling cost	(B)	606,355	534,583	-	-
		30,939,416	28,844,973	-	-
Risk Margin	(C)	3,970,102	3,741,504	-	-
Gross Outstanding Claims Liability		34,909,518	32,586,477	-	-
Gross Claims incurred - undiscounted	(A)+(B)+(C)	36,523,496	33,757,933	-	-
Current		14,964,899	14,005,652	-	-
Non - current		19,944,619	18,580,825	-	-
		34,909,518	32,586,477	-	-

(b) Risk Margin

Process used to determine the 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 20% or 25% of net outstanding claims would be reasonable, if the Scheme was to have approximately 75% probability of its claim provisions proving reliable. In making this consideration the Actuary commented that this risk margin was not intended to make any provision for the possibility of reinsurers failing to fully meet their obligations.

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 of adequacy are :

	2017	2016
Local Government Association Mutual Liability Scheme	25%	25%
Local Government Association Workers Compensation Scheme	20%	20%

(c) Reconciliation of movement in discounted outstanding claims liability

	2017			2016		
	Gross \$	Recoveries \$	Net \$	Gross \$	Recoveries \$	Net \$
Balance at 1 July	32,586,476	(10,966,134)	21,620,342	32,216,496	(9,426,174)	22,790,322
Current year claims incurred	17,731,148	(4,666,544)	13,064,604	13,358,050	(2,716,333)	10,641,717
Previous years claims incurred	(3,605,917)	891,846	(2,714,071)	2,606,864	220,048	2,826,912
Claims (credit)/expense	14,125,231	(3,774,698)	10,350,533	15,964,914	(2,496,285)	13,468,629
All claims paid during year	(11,802,189)	2,833,811	(8,968,378)	(15,594,934)	956,325	(14,638,609)
Balance at 30 June	34,909,518	(11,907,021)	23,002,497	32,586,476	(10,966,134)	21,620,342

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20 - RESERVES

- (a) **Building maintenance and equipment reserve**
The building maintenance and equipment reserve records the association's accumulated depreciation of the property, plant and equipment. This reserve has had it's balance returned to retained earnings. This reserve was unfunded and disclosed under assets already.
- (b) **Employee entitlement reserve**
The employee entitlement reserve records the association's annual and long service leave entitlement liability. This reserve has had it's balance returned to retained earnings. This reserve was unfunded and disclosed under assets already.
- (c) **Asset revaluation reserve**
The asset revaluation reserve records realised gains on the revaluation of land and buildings.
- (d) **Project reserves**
The project reserves records funds received by the Local Government Association of South Australia Inc. from external providers. These funds are then distributed as per the relevant funding agreement. Also included are LGA funded projects with carry forward balances.

NOTE 21 - CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities represent items that, at 30 June 2017, are not recognised in the Statement of Financial Position because there is significant uncertainty at that date as to the necessity for the entity to receive or make payments in respect of them.

The Board are not aware of any contingent assets or liabilities at 30 June 2017.

NOTE 22 - EVENTS SUBSEQUENT TO REPORTING DATE

No significant events have occurred since reporting date that would impact on the financial position of the Association disclosed in the statement of financial position as at 30 June 2017 or on the results or cash flows of the Association and its controlled entities for the year ended on that date.

The financial statements were authorised for issue by the Board of Directors of the Association on 28 September 2017.

NOTE 23 - INVESTMENT AND CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2017	2016
Local Government Mutual Liability Scheme ⁽¹⁾	Australia	-	-
Local Government Workers Compensation Scheme ⁽¹⁾	Australia	-	-
LGCS Pty Ltd	Australia	100	100
LGCS Trust No. 1	Australia	100	100

⁽¹⁾ The Local Government Association of South Australia Inc. has the capacity to control these entities pursuant to the Local Government Act 1999 and they have been consolidated on that basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 24 - RELATED PARTIES

LGA Board

The names of persons who were members or proxy members of the Local Government Association of South Australia LGA Board at any time during the financial year are as follows:

Mayor Dave Burgess	Mayor Kevin Knight
Mayor David O'Loughlin	Mayor William Spragg
Mayor Peter Hunt	Mayor Ray Agnew OAM
Mayor Ann Ferguson OAM	Mayor Denis Clark
Mayor Lorraine Rosenberg	Mayor Karen Redman
Cr Jill Whittaker	Mayor Bruce Green
Cr Sue Clearihan	Mayor Neville Jaensch
Mayor Angela Evans	Mayor Leon Stasinowsky
Mayor Lachlan Clyne	Mayor Erika Vickery
Mayor Glenn Spear	Mayor Richard Sage
Mayor David Parkin	Mayor Keith Parkes
Mayor Robert Bria	Mayor Gillian Aldridge
Mayor Peter Matthey	Mayor Sam Johnson
Mayor Brenton Lewis	

Transactions with Local Government Authorities having LGA Board representation are on normal commercial terms and conditions.

Transactions with related parties

The Local Government Association of South Australia and Jardine Lloyd Thompson Pty Ltd, the Scheme Manager, have entered into a Joint Venture and have contemporaneously executed a Joint Venture Management Agreement dated 1 July 2001 and a Joint Venture Operations Agreement dated 1 July 2001.

The agreements state that both parties have agreed to co-operate together as joint venturers in respect only of the management and operation of the Scheme.

Jardine Lloyd Thompson Pty Ltd supplies all services to the Scheme.

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 24 - RELATED PARTIES (CONT)

Aggregate amounts included in the determination of the parent entity's operating result that resulted from transactions with controlled entities are as follows:

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Administration charges received:				
- Local Government Association Workers' Compensation Scheme	-	-	506,585	495,941
- Local Government Mutual Liability Scheme	-	-	439,758	432,895
	-	-	946,343	928,836
Grant funding paid:				
- LGCS Pty Ltd	-	-	-	200,000
Insurance paid:				
- Local Government Mutual Liability Scheme	51,366	32,231	51,366	32,231
Investment income received:				
- Local Government Financing Authority of South Australia	2,135,567	2,346,631	-	-
Management fees paid:				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	3,492,582	3,411,158	-	-
Outward reinsurance premium paid:				
- Jardine Lloyd Thompson Pty Ltd as Insurance Broker	7,850,809	7,691,516	-	-
- South Australian Government Financing Authority	258,716	215,793	-	-
	8,109,525	7,907,309	-	-
Risk management fees paid:				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	3,236,574	3,084,274	-	-
Injury Management Services				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	-	33,230	-	-
Injury Management Services - legislative compliance & management				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	118,128	108,084	-	-
OHS Core Systems Development				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	1,404,132	664,925	-	-
Risk audit fee - Airports:				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	87,997	82,250	-	-
Strategic Risk Review				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	-	40,000	-	-
RM Strategic Plan				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	-	12,500	-	-
Rail Interface				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	94,800	-	-	-

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 24 - RELATED PARTIES (CONT)

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Emergency Management - Jardine Lloyd Thompson Pty Ltd as Scheme Manager	170,668	-	-	-
Irsonda - Jardine Lloyd Thompson Pty Ltd as Scheme Manager	175,000	-	-	-
Mock Courts - Jardine Lloyd Thompson Pty Ltd as Scheme Manager	95,000	-	-	-
Transactions with related parties				
	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accrued interest receivable: - Local Government Financing Authority of South Australia	450,473	474,456	-	-
Investments at face value: - Local Government Financing Authority of South Australia	72,560,340	71,958,465	-	-
Prepayments: - South Australian Government Financing Authority	137,602	137,602	-	-
Rent received from Scheme/LGCS - Local Government Association of South Australia	500,000	-	-	-
Rent received from Scheme/LGCS - Local Government Association of South Australia	-	-	311,387	310,181

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 25 - SCHEME REPORTING

The Association operates predominantly as a service provider to local government in South Australia.

The Local Government Associations Workers Compensation Scheme provides workers compensation liability cover and the management of associated claims for Local Government solely within South Australia.

The Local Government Association Mutual Liability Scheme provides civil liability cover and the management of associated claims for Local Government within South Australia.

	Local Government Association Workers Compensation Scheme		Local Government Association Mutual Liability Scheme	
	2017	2016	2017	2016
	\$	\$	\$	\$
Statement of Profit or Loss and Other Comprehensive Income				
Member contributions and other income	23,571,786	22,872,185	15,433,044	14,566,194
Profit	3,264,765	890,582	493,421	1,205,818
Statement of Financial Position				
Current assets	30,093,756	67,668,036	9,634,055	34,545,866
Non-current assets	24,210,105	-	34,409,431	19,293,809
Total assets	<u>54,303,861</u>	<u>67,668,036</u>	<u>44,043,486</u>	<u>53,839,675</u>
Current liabilities	17,083,057	32,922,690	9,690,768	18,133,481
Non-current liabilities	10,119,216	9,908,524	9,910,403	8,757,301
Total liabilities	<u>27,202,273</u>	<u>42,831,214</u>	<u>19,601,171</u>	<u>26,890,782</u>
Net Assets	<u>27,101,588</u>	<u>24,946,240</u>	<u>24,442,315</u>	<u>26,948,893</u>

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
NOTE 26 - CASH FLOW INFORMATION				
(a) Reconciliation of Net Cash provided by / (used in) operating activities to operating surplus / (deficit)				
Net profit/(loss) for the year	2,294,102	(5,245,607)	(1,588,915)	(7,161,906)
Non-cash flows in profit from ordinary activities				
- Depreciation of non-current assets	768,980	746,039	760,216	736,151
- Loss on disposal of non-current assets	(9,740)	30,888	(6,209)	19,865
- Fair value movement in investments (net)	212,771	(155,386)	87,301	-
Changes in assets and liabilities				
(Increase)/decrease in trade and term receivables	26,029,800	(1,333,463)	825,407	(531,807)
(Increase)/decrease in other assets	(938,606)	(1,549,213)	2,474	(2,598)
Increase/(decrease) in trade payables	(2,109,401)	473,235	114,506	(42,933)
Increase/(decrease) in outstanding claims and unearned contributions	(20,710,060)	1,258,499	-	-
Increase/(decrease) in provisions	28,488	(154,962)	27,555	(117,320)
Cash flow from / (used in) operations	<u>5,566,335</u>	<u>(5,929,970)</u>	<u>222,336</u>	<u>(7,100,548)</u>
(b) Non-cash financing and investing activities				
There were no non-cash financing or investing activities during the year.				

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 27 - FINANCIAL RISK MANAGEMENT

The association's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

	Consolidated Entity		Parent Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	11,007,508	5,931,332	2,869,703	2,122,913
Trade and other receivables	25,910,384	51,040,362	1,857,097	2,685,508
Financial assets at fair value through the profit and loss:				
Deposits with LGFA	66,511,240	69,636,709	-	-
Total financial assets	103,429,132	126,608,403	4,726,800	4,808,421
Financial Liabilities				
Trade and other payables	2,888,215	4,983,240	847,600	733,095
Borrowings	500,000	-	500,000	-
Total financial liabilities	3,388,215	4,983,240	1,347,600	733,095

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

The Consolidated Entity does not have any derivative financial instruments at 30 June 2017 (2016: Nil).

The Local Government Association of South Australia holds a \$12 million finance facility with the Local Government Finance Authority of South Australia with a variable interest rate. The value of the undrawn amount at 30 June 2017 was \$11.5 million (2016: \$12 million).

Specific Financial Risk Exposure and 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.

(a) 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 of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

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

The average credit rating of the Scheme's reinsurance companies is 'A'. However, the Scheme's 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.

(b) Liquidity risk

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

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 27 - FINANCIAL RISK MANAGEMENT (CONT)

(b) Liquidity risk (Cont)

Consolidated Entity

	Within 1 year		1 to 2 years		Over 2 years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash and cash equivalents	11,007,508	5,931,332	-	-	-	-	11,007,508	5,931,332
Trade and other receivables	16,750,300	42,979,711	9,160,084	8,060,651	-	-	25,910,384	51,040,362
Deposits with LGFA	17,051,786	58,403,551	49,459,454	11,233,158	-	-	66,511,240	69,636,709
Total Financial Assets	44,809,594	107,314,594	58,619,538	19,293,809	-	-	103,429,132	126,608,403
Financial Liabilities								
Trade and other payables	2,888,215	4,983,240	-	-	-	-	2,888,215	4,983,240
Borrowings	500,000	-	-	-	-	-	500,000	4,983,240
Total Financial Liabilities	3,388,215	4,983,240	-	-	-	-	3,388,215	4,983,240

Parent Entity

	Within 1 year		1 to 2 years		Over 2 years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash and cash equivalents	2,869,703	2,122,913	-	-	-	-	2,869,703	2,122,913
Trade and other receivables	1,857,097	2,685,508	-	-	-	-	1,857,097	2,685,508
Total Financial Assets	4,726,800	4,808,421	-	-	-	-	4,726,800	4,808,421
Financial Liabilities:								
Trade and other payables	847,600	733,095	-	-	-	-	847,600	733,095
Borrowings	500,000	-	-	-	-	-	500,000	-
Total Financial Liabilities	1,347,600	733,095	-	-	-	-	1,347,600	733,095

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 27 - FINANCIAL RISK MANAGEMENT (CONT)

(c) **Market risk**

The Association's main interest rate risk arises from financial assets at fair value through profit or loss 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.

Sensitivity analysis

The following table illustrates sensitivities to the Association'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.

	Carrying Value		Consolidated Entity	
	2017	2016	2017	2016
	\$	\$	\$	\$
	+/- 1% in interest rates			
Cash and cash equivalents	11,007,508	5,931,332	110,075	59,313
Investments in term deposits	66,511,240	69,636,709	665,112	696,367
	<u>77,518,748</u>	<u>75,568,041</u>	<u>775,187</u>	<u>755,680</u>
	Carrying Value		Parent Entity	
	2017	2016	Profit	Equity
	\$	\$	2017	2016
	\$	\$	\$	\$
	+/- 1% in interest rates			
Cash and cash equivalents	2,869,703	2,122,913	28,697	21,229
Investments in term deposits	-	-	-	-
	<u>2,869,703</u>	<u>2,122,913</u>	<u>28,697</u>	<u>21,229</u>

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 28 - FAIR VALUE MEASUREMENT

The financial and non-financial assets recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets of liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for assets or liability that are not based on observable market data (unobservable inputs) (Level 3).

Economic Entity	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2017				
Assets				
Deposits with LGFA	-	66,511,240	-	66,511,240
Property, plant and equipment	-	-	21,089,678	21,089,678
	-	66,511,240	21,089,678	87,600,918
2016				
Assets				
Deposits with LGFA	-	69,636,709	-	69,636,709
Property, plant and equipment	-	-	18,394,935	18,394,935
	-	69,636,709	18,394,935	88,031,644
Parent Entity				
2017				
Assets				
Financial assets	-	2	-	2
Property, plant and equipment	-	-	21,089,678	21,089,678
	-	2	21,089,678	21,089,680
2016				
Assets				
Financial assets	-	2	-	2
Property, plant and equipment	-	-	18,394,935	18,394,935
	-	2	18,394,935	18,394,939

The Association's land and buildings were revalued at 30 April 2017 by independent valuers, Maloney Field Services. Valuations were made on the basis of open market value. Movement during the year relates to depreciation on the building.

Fair value of the Association's land and building is estimated based on appraisals performed by independent, professionally-qualified property valuers, Maloney Field Services. Valuations were made on the basis of open market value. Movement during the year relates to revaluation of the land and building and depreciation of building.

Further information about the valuation of the land is set out below.

The appraisal was carried out using a market approach that reflects observed prices for current rental income for properties offers same space and car park and incorporates expected future rental increase, recent yields on rental properties,

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 28 - FAIR VALUE MEASUREMENT

The land was revalued on 31 March 2017. The land was previously revalued in June 2013.

The significant unobservable input is market yield and estimated future increase in rent.

NOTE 29 - ASSOCIATION DETAILS

Registered office and principal place of business

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

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

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

**STATEMENT BY THE BOARD
FOR THE YEAR ENDED 30 JUNE 2017**

In the opinion of the LGA Board, the financial report as set out on pages 1 to 40:

1. Presents a true and fair view of the financial position of Local Government Association of South Australia Inc as at 30 June 2017 and its performance for the year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.

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

During the financial year no member of the LGA Board or officer of the association, nor:


- a firm of which the member of the LGA Board or officer is a member; nor
- a body corporate in which the member of the LGA Board or officer has a substantial interest has received or become entitled to receive a benefit as a result of a contract between the officer firm or corporate and the association. The following members received the following amounts to conduct the affairs of the association:

		\$
Mayor Lorraine Florence Rosenberg	President	23,991.00
Mayor David James Burgess	Immediate Past President/President	23,865.39
Mayor David Andrew O'Loughlin	Immediate Past President/Member	1,971.91
Cr Jillian Yvonne Whittaker	Vice President	2,089.55
Mayor Ann Shirley Ferguson	Vice President	2,089.54
Mayor Peter Robert Hunt	Vice President	4,197.49
Mayor Erika Johanna Vickery	Vice President	2,126.76
Cr Susan Clearihan	Vice President	2,126.76
Mayor David Thomas Parkin	Vice President/Audit Committee Member	11,226.76
Mayor Gillian Aldridge	Member	200.00
Mayor Lachlan Robert Oliver Clyne	Member	200.00
Mayor Denis Vincent Clark	Member	600.00
Mayor William Spragg	Deputy	500.00
Mayor Robert Bria	Member	300.00
Mayor Glenn Spear	Member	400.00
Mayor Kevin Knight	Member	400.00
Mayor Bruce Leslie Green	Member	400.00
Mayor Raymond George Agnew	Member	400.00
Mayor Angela Jane Evans	Member	300.00
Mayor Neville Ross Jaensch	Member	400.00
Mayor Keith James Parkes	Member	200.00
Mayor Richard John Sage	Deputy	200.00
Mayor Sam Johnson	Member	100.00
Mayor Karen Redman	Member	200.00
Cr Rosalina Bouchee	Deputy	100.00

Officers of the association receive salary packages which have been determined in accordance with general market conditions. Except for the forgoing, no officer of the association has received directly or indirectly any payment or other benefit of a pecuniary value.

Signed in accordance with a resolution of the Local Government Association of South Australia Board.


.....
President


.....
Chief Executive Officer

Dated..... 9/10/17

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Independent Auditor's Report To the Members of Local Government of South Australia

Report on the audit of the financial report

Opinion

We have audited the accompanying financial report of Local Government of South Australia (the "Association"), which comprises the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors of the consolidated entity comprising the Association and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the accompanying financial report of Local Government of South Australia:

- a the financial report of Local Government of South Australia
 - i presents fairly, in all material respects, the Association's and consolidated entity's financial position as at 30 June 2017 and of their performance and cash flows for the year then ended; and
 - ii complies with Australian Accounting Standards and the relevant legislation; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Responsibility of the Board for the Financial Report

The Board of the Association are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Local Government Act 1999. This responsibility includes such internal controls as the Board determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Board also state, in the notes to the financial report, in accordance with

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Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements and notes, comply with International Financial Reporting Standards.

Auditor's Responsibilities for the Audit of the Financial Report

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

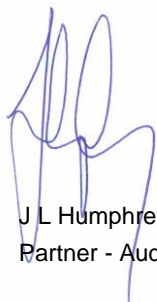
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.



Grant Thornton Audit Pty Ltd
Chartered Accountants



J L Humphrey
Partner - Audit & Assurance

Adelaide, 9 October 2017

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