



Local Government Association
of South Australia

The voice of local government.

Financial Report

Local Government Association
of South Australia and
Controlled Entities

Year Ended 30 June 2015

www.lga.sa.gov.au

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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 2015

	Note	Consolidated Entity		Parent Entity	
		2015	2014	2015	2014
		\$	\$	\$	\$
Revenue from ordinary activities	5	40,316,125	38,423,852	6,761,827	6,791,477
Project income	7	7,604,277	8,173,471	7,604,277	7,291,649
Employee expenses		(3,939,031)	(3,912,020)	(3,526,640)	(3,470,032)
Depreciation expense	6(a)	(757,229)	(768,028)	(747,243)	(757,986)
Project expenditure	7	(11,288,525)	(6,965,159)	(10,854,593)	(6,199,491)
Net claims expense	6(b)	(15,611,615)	(12,015,655)	-	-
Workcover levy		(1,714,565)	(1,713,118)	-	-
Risk management fees		(1,698,900)	(1,575,800)	-	-
Catastrophe insurance expense		(7,607,548)	(7,245,046)	-	-
Excess and recoveries	6(b)	394,119	2,961,355	-	-
Other scheme expenses		(3,291,676)	(2,708,631)	-	-
Other expenses from ordinary activities		(6,696,967)	(7,339,482)	(2,115,334)	(2,429,328)
(Loss) / Profit from ordinary activities		(4,291,535)	5,315,739	(2,877,706)	1,226,289
Income tax expense		-	-	-	-
(Loss) / Profit from ordinary activities after tax		(4,291,535)	5,315,739	(2,877,706)	1,226,289
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		(4,291,535)	5,315,739	(2,877,706)	1,226,289

The accompanying notes form part of the financial statements

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	Consolidated Entity		Parent Entity	
		2015 \$	2014 \$	2015 \$	2014 \$
Cash and cash equivalents	11	14,756,794	13,457,548	9,317,909	8,173,357
Trade and other receivables	12	41,380,766	42,455,691	2,153,701	5,578,390
Other current assets	13	613,033	624,427	33,654	33,705
Financial assets	14	33,772,751	57,118,598	-	-
Total Current Assets		90,523,344	113,656,264	11,505,264	13,785,452
Non-current assets					
Trade and other receivables	12	6,780,550	7,435,232	-	-
Financial assets	14	35,425,568	15,811,043	4	4
Property, plant and equipment	15	21,113,610	21,693,747	21,073,924	21,644,076
Total Non-Current Assets		63,319,728	44,940,022	21,073,928	21,644,080
TOTAL ASSETS		153,843,072	158,596,286	32,579,192	35,429,532
Current liabilities					
Trade and other payables	16	4,504,375	5,596,912	776,027	809,423
Provisions	17	773,225	678,406	735,583	659,720
Unearned member contributions	18	32,384,567	30,193,815	-	-
Outstanding claims liability	19	11,286,690	10,292,861	-	-
Total Current Liabilities		48,948,857	46,761,994	1,511,610	1,469,143
Non-current liabilities					
Provisions	17	168,410	198,703	83,410	98,511
Outstanding claims liability	19	20,929,803	20,548,050	-	-
Total Non-Current Liabilities		21,098,213	20,746,753	83,410	98,511
TOTAL LIABILITIES		70,047,070	67,508,747	1,595,020	1,567,654
NET ASSETS		83,796,002	91,087,539	30,984,172	33,861,878
EQUITY					
Reserves	20	24,695,559	27,571,111	24,251,774	26,693,394
Retained profits		59,100,443	63,516,428	6,732,398	7,168,484
TOTAL EQUITY		83,796,002	91,087,539	30,984,172	33,861,878

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 2015

Parent 2015	Retained Profits	Building Maintenance & Equipment Reserve	Employee Entitlement Reserve	Project Reserves	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of year	7,168,484	2,019,160	758,230	19,314,575	4,601,429	33,861,878
Total (loss)	(2,877,706)	-	-	-	-	(2,877,706)
Other comprehensive income	-	-	-	-	-	-
Transfer to/(from) reserves	2,441,620	665,012	60,762	(3,167,394)	-	-
Equity as at 30 June 2015	6,732,398	2,684,172	818,992	16,147,181	4,601,429	30,984,172

2014	Retained Profits	Building Maintenance & Equipment Reserve	Employee Entitlement Reserve	Project Reserves	Asset Revaluation Reserve	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of year	7,838,399	1,258,300	683,664	18,253,797	4,601,429	32,635,589
Total profit	1,226,289	-	-	-	-	1,226,289
Other comprehensive income	-	-	-	-	-	-
Transfer to/(from) reserves	(1,896,204)	760,860	74,566	1,060,778	-	-
Equity as at 30 June 2014	7,168,484	2,019,160	758,230	19,314,575	4,601,429	33,861,878

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 2015**

Consolidated Entity 2015	Retained Profits	Building Maintenance & Equipment Reserve	Employee Entitlement Reserve	Asset Revaluation Reserve	Project Reserves	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of year	63,516,428	2,019,160	758,230	4,601,429	20,192,292	91,087,539
Total (loss)	(4,291,535)	-	-	-	-	(4,291,535)
Other comprehensive income	-	-	-	-	-	-
Transfer to/(from) reserves	2,875,552	665,012	60,762	-	(3,601,326)	-
Distribution of funds to members	(3,000,002)	-	-	-	-	(3,000,002)
Equity as at 30 June 2015	59,100,443	2,684,172	818,992	4,601,429	16,590,966	83,796,002
2014	Retained Profits	Building Maintenance & Equipment Reserve	Employee Entitlement Reserve	Asset Revaluation Reserve	Project Reserves	Total
	\$	\$	\$	\$	\$	\$
Equity as at beginning of year	63,889,081	1,258,300	683,664	4,601,429	19,015,360	89,447,834
Total profit	5,315,739	-	-	-	-	5,315,739
Other comprehensive income	-	-	-	-	-	-
Transfer to/(from) reserves	(2,012,358)	760,860	74,566	-	1,176,932	-
Distribution of funds to members	(3,676,034)	-	-	-	-	(3,676,034)
Equity as at 30 June 2014	63,516,428	2,019,160	758,230	4,601,429	20,192,292	91,087,539

The accompanying notes form part of the financial statements

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated Entity		Parent Entity	
		2015	2014	2015	2014
		\$	\$	\$	\$
Cash from operating activities:					
Receipts from operations		44,378,184	24,460,098	9,868,092	2,522,236
Payments to suppliers and employees		(21,910,410)	(27,666,766)	(5,578,854)	(6,181,193)
Project funding received		8,541,791	7,291,649	7,604,277	7,291,649
Project funding expensed		(33,205,278)	(6,199,491)	(10,854,593)	(6,199,491)
Interest received		3,391,295	3,145,716	326,543	308,075
Total cash from / (used in) operating activities	26	1,195,582	1,031,206	1,365,465	(2,258,724)
Cash from investing activities:					
Payment for financial assets		(1,000,000)	(18,666,006)	-	3
Proceeds from financial assets		4,629,004	6,000,000	-	-
Payment for property, plant and equipment		(304,082)	(133,473)	(304,082)	(133,473)
Proceeds on sale of property, plant and equipment		83,169	29,864	83,169	29,864
Total cash (from) / used in investing activities		3,408,091	(12,769,615)	(220,913)	(103,606)
Cash from financing activities:					
Repayment of borrowings		-	(11,500,000)	-	(11,500,000)
Distribution to fund members		(3,000,000)	(1,499,974)	-	-
Total cash (used in) investing activities		(3,000,000)	(12,999,974)	-	(11,500,000)
Net cash (increase) / decrease in cash and cash equivalents		1,603,673	(24,738,383)	1,144,552	(13,862,330)
Cash and cash equivalents at beginning of the year		13,153,121	37,891,504	8,173,357	22,035,687
Cash and cash equivalents at end of the year	11	14,756,794	13,153,121	9,317,909	8,173,357

The accompanying notes form part of the financial statements

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 contained in Note 23 to the financial statements. All controlled entities have a June financial year end.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(c) Property, Plant and Equipment (Cont)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

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

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.

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 \$32,384,567 (2014: \$30,193,815) for contributions billed in advance has been recognised. These amounts offset equivalent amounts in contributions owing.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(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:

	2015	2014
Inflation rate	3.25%	3.50%
Super imposed inflation	2.00%	2.00%
Discount rate	2.00%	2.75%

(i) Outstanding Insurance Claims

A provision of \$32,216,493 (2014: \$30,840,911) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(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. Income is recognised when the LGA whichever first occurs.

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 trust 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).

Member contributions

Member contributions comprise amounts charged to members of the schemes for liability protection, net of amounts returned to members as bonuses. Member contribution revenue is recognised in the statement of 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(q) Revenue (Cont)

Reinsurance and other recoveries

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

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

At each reporting date the Schemes assess whether the unearned members' contribution liability is sufficient to cover the 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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(u) Claims

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

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

Excess amounts recoverable from a Scheme member are payable and are treated as a contribution towards 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 2015, by Cumpston Sarjeant Pty Ltd. This review was based on initial claims data to 31 March 2015 with findings in their report issued in May 2015. This report was up-dated with claims data 30 June 2015 and included in their report issued in August 2015.

An Actuarial peer review is conducted every three years. A peer review was conducted for the financial period ended 30 June 2014 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

In addition to claims outstanding in Note 1(i) 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 2015

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNT POLICIES (CONT)

(w) Assets Backing General Insurance Liabilities

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

The Scheme has determined that all assets are held to back its insurance liabilities and their accounting treatment is described below. As these assets are managed on a fair value basis, they have been valued at fair value through profit or loss.

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

Financial Assets

The Scheme values 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 Scheme's objectives when managing capital are 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 Scheme 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 Scheme monitors capital on the basis of the total accumulated surplus. A special distribution will be made to its members where the total accumulated surplus exceeds the Board's targeted surplus. This strategy is unchanged from 2012.

(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 2015

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 2015 reporting period and have not been early adopted by the consolidated entity. The consolidated entity's assessment of these new reporting 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 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;
 - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;
 - The remaining change is presented in profit or loss.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. There is no anticipated effect on the other financial instruments within the consolidated Entity. The consolidated Entity has not yet decided when to adopt AASB 9.

(ii) Revenue from contracts with customers

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 consolidated entity has yet to consider the impact of the new rules on its revenue recognition policies. It will undertake a detailed assessment in the near future. The expected adoption date is 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 2 - ACCOUNTING ESTIMATES AND JUDGEMENTS

The Scheme makes 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.

Estimation of outstanding claims liability

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

The Scheme takes 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 2015;
- (iv) An allowance for recoveries that reduce the liability to the member, confirmed by the actuarial review in August 2015;
- (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% (2014: 2.75%), as assumed by the Actuary;
- (vii) A risk margin of 25% (2014: 25%) of net outstanding claims after the effect of reinsurance has been applied, as assumed by the Actuary.

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 3 - ACTUARIAL ASSUMPTIONS AND METHODS

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	
	2015	2014	2015	2014
Case estimate development	(7.5%)	(5.00%)	-	-
Wage inflation	3.25%	3.50%	3.25%	3.50%
Superimposed inflation	2.00%	3.00%	2.00%	2.00%
Discount rate	2.00%	2.75%	2.00%	2.75%

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 of 20 August 2015, 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 assumed to be 7.5% for all accident years. (2014 case estimate development -5%).

Wage inflation

The Actuary assumed wage inflation of 3.25% per annum, based on recent inflation levels in South Australia. The assumption was 3.5% for the prior year.

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 \$116,427 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 2015

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.

	2015	2014
Local Government Mutual Liability Scheme	2.00%	3.00%
Local Government Workers Compensation Scheme	2.00%	2.00%

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

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, based on current medium-term bond yields. A discount rate of 2.75% was assumed for the prior year.

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 2015

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%	905,000	(39,000)	(39,000)
	(3%)	(791,000)	34,000	34,000
Superimposed inflation	3%	909,000	(32,000)	(32,000)
	(3%)	(794,000)	28,000	28,000
Discount Rate	3%	(935,000)	33,000	33,000
	(3%)	1,138,000	(40,000)	(40,000)
Case-estimate development	5%	1,766,000	(17,000)	(17,000)
	(5%)	(1,331,000)	13,000	13,000

(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%	523,000	(523,000)	(523,000)
	(3%)	(417,000)	417,000	417,000
Superimposed inflation	3%	531,000	(531,000)	(531,000)
	(3%)	(421,000)	421,000	420,000
Discount Rate	3%	(1,338,000)	1,338,000	1,338,000
	(3%)	1,717,000	(1,717,000)	(1,717,000)

NOTE 4 - INSURANCE CONTRACTS - RISK MANAGEMENT

Risk management objectives and policies for mitigating insurance risk

The Scheme is established by legislation contained in the Local Government Act 1999. Membership is available to local government councils and prescribed bodies. The Scheme 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 Scheme 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 4 - INSURANCE CONTRACTS - RISK MANAGEMENT (CONT)

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.

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

The Scheme has 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 Scheme relies 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 Scheme.

Reinsurance strategy

The Scheme adopts a conservative approach towards management of risk and does this by utilising various risk transfer options. The Board determines the level of risk, which is appropriate for the Scheme having regards to ordinary concepts of prudence and regulatory constraints. The risk transfer arrangements adopted by the Scheme 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 Scheme 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 Scheme.

In the past ten years, the Scheme has managed its reinsurance program and risk transfer arrangements so that the exposure to each claim has been markedly reduced. The Scheme has maintained its Treasurer's Indemnity on a ong-term basis with an expiry in 2017.

Terms and conditions of membership

Membership to the Scheme 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

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

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

Management of risks

The key insurance risks that affect the Scheme 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.

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.

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 4 - INSURANCE CONTRACTS - RISK MANAGEMENT (CONT)

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, the credit risk exposure is equal to the undiscounted aggregate value of claims. As at 30 June 2015 this amounted to \$13.82 million (30 June 2014 \$14.86 million).

	Consolidated Entity		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
NOTE 5 - REVENUE				
Operating activities				
Subscriptions	1,981,470	2,010,261	1,981,470	2,010,261
Contract income	1,587,694	765,216	-	-
Member contributions				
Gross earned member contributions	45,380,251	43,071,296	-	-
Bonus returned to members	(15,071,360)	(13,760,070)	-	-
Net member contribution revenue	30,308,891	29,311,226	-	-
	<u>33,878,055</u>	<u>32,086,703</u>	<u>1,981,470</u>	<u>2,010,261</u>
Non-operating activities				
Interest received	3,242,281	3,145,716	326,542	308,075
Administration charges	1,257,374	1,081,970	2,158,844	2,063,801
Rent and outgoings	1,562,297	1,559,671	1,919,914	1,872,150
Other revenue	376,118	549,792	375,057	537,190
	<u>6,438,070</u>	<u>6,337,149</u>	<u>4,780,357</u>	<u>4,781,216</u>
	<u>40,316,125</u>	<u>38,423,852</u>	<u>6,761,827</u>	<u>6,791,477</u>

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$

NOTE 6 - (LOSS) / PROFIT FROM ORDINARY ACTIVITIES

(Loss) / Profit from ordinary activities has been determined after:

(a) Expenses				
Depreciation of non-current assets	757,229	768,028	747,243	757,986

(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.

	2015		
	Current year	Prior years	Net
	\$	\$	\$
Gross claims (credit) / expense			
Gross claims and related expenses - undiscounted	13,791,354	1,355,798	15,147,152
Discount	(354,553)	819,016	464,463
Net claims expense	13,436,801	2,174,814	15,611,615
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries revenue - undiscounted	(2,006,220)	1,933,054	(73,166)
Discount	132,804	(453,757)	(320,953)
Reinsurance and other recoveries - discounted	(1,873,416)	1,479,297	(394,119)
Net claims (credit) / incurred	11,563,385	3,654,111	15,217,496
	2014		
	Current year	Prior years	Net
	\$	\$	\$
Gross claims (credit) / expense			
Gross claims and related expenses - undiscounted	16,087,064	(5,025,795)	11,061,269
Discount	(635,093)	1,589,479	954,386
	15,451,971	(3,436,316)	12,015,655
Reinsurance and other recoveries revenue			
Reinsurance and other recoveries revenue - undiscounted	(4,526,525)	1,993,833	(2,532,692)
Discount	361,585	(790,248)	(428,663)
Reinsurance and other recoveries - discounted	(4,164,940)	1,203,585	(2,961,355)
Net claims (credit) / incurred	11,287,031	(2,232,731)	9,054,300

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Opening balance 1 July	20,192,292	19,015,360	19,314,575	18,253,797
Income	7,604,277	8,173,471	7,604,277	7,291,649
Employee Expenses	(648,334)	(625,617)	(648,334)	(625,617)
Depreciation	(35,756)	(36,448)	(35,756)	(36,448)
Other Expenses	(10,604,435)	(6,303,094)	(10,170,503)	(5,537,426)
Total project expenses	(11,288,525)	(6,965,159)	(10,854,593)	(6,199,491)
Net project income / (expense)	(3,684,248)	1,208,312	(3,250,316)	1,092,158
Adjustment for internal charges	82,922	(31,380)	82,922	(31,380)
	(3,601,326)	1,176,932	(3,167,394)	1,060,778
Closing balance 30 June	16,590,966	20,192,292	16,147,181	19,314,575

NOTE 8 - LIABILITY ADEQUACY TEST

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 \$3,828,000 with an additional component of present value of expected future cash flows in relation to risk margin, net of reinsurance, to be \$25,000.

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 \$11,301,000 with an additional component of present value of expected future cash flows in relation to risk margin to be \$2,327,000.

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 2015

NOTE 9 - KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Benefit	Post Employment Benefit	Total
	\$	\$	\$
2015			
Total compensation	238,810	23,315	262,125
2014			
Total compensation	213,744	47,064	260,808

The CEO retired during the period.

	Consolidated Entity		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
NOTE 10 - AUDITORS' REMUNERATION				
Remuneration of the auditor of the parent entity for:				
(i) auditing or reviewing the financial report:				
- Grant Thornton	29,500	28,000	22,792	28,000
(i) non-auditing services				
- Grant Thornton	6,500	-	6,500	-
Remuneration of other auditors of subsidiaries for:				
(i) auditing or reviewing the financial report of subsidiaries				
- Ernst & Young *	-	19,900	-	-
- PriceWaterhouseCoopers	60,000	51,750	-	-
	96,000	99,650	29,292	28,000

* Ernst & Young were replaced as scheme auditor during the year.

NOTE 11 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents	14,756,794	13,457,548	9,317,909	8,173,357
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The effective interest rate on short-term deposits was 2.50% (2014: 2.50%).

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	14,756,794	13,457,548	9,317,909	8,173,357
Less Bank overdraft	-	(304,427)	-	-
	14,756,794	13,153,121	9,317,909	8,173,357

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
NOTE 12 - TRADE AND OTHER RECEIVABLES				
CURRENT				
Trade receivables	817,867	815,488	539,898	376,965
Member contribution receivable	35,623,023	33,197,503	-	-
Accrued income	2,294,253	5,908,363	1,613,803	5,201,425
Reinsurance and other recoveries receivables:				
Reinsurance recoveries on paid claims	49,657	163,192	-	-
Reinsurance recoveries receivable	2,786,266	2,615,526	-	-
Discount to present value	(173,751)	(229,348)	-	-
Reinsurer default provision	(16,549)	(15,033)	-	-
Net reinsurance and other recoveries receivables	2,645,623	2,534,337	-	-
	<u>41,380,766</u>	<u>42,455,691</u>	<u>2,153,701</u>	<u>5,578,390</u>
NON-CURRENT				
Reinsurance and other recoveries receivables:				
Reinsurance recoveries receivable	7,277,352	8,201,543	-	-
Discount to present value	(453,815)	(719,171)	-	-
Reinsurer default provision	(42,987)	(47,140)	-	-
Net reinsurance and other recoveries receivables	6,780,550	7,435,232	-	-
	<u>6,780,550</u>	<u>7,435,232</u>	<u>-</u>	<u>-</u>
NOTE 13 - OTHER ASSETS				
CURRENT				
Prepayments	613,033	624,427	33,654	33,705
	<u>613,033</u>	<u>624,427</u>	<u>33,654</u>	<u>33,705</u>
NOTE 14 - FINANCIAL ASSETS				
Available-for-sale financial assets	(a)	-	4	4
Deposits - LGFA ⁽¹⁾		69,198,319	72,929,641	-
		<u>69,198,319</u>	<u>72,929,641</u>	<u>4</u>
Less: non-current portion		35,425,568	15,811,043	4
		<u>33,772,751</u>	<u>57,118,598</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 2015

	Consolidated Entity		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
NOTE 14 - FINANCIAL ASSETS (CONT)				
a. Available-for-sale Financial Assets comprise				
Shares in Local Super Pty Ltd				
- at cost	-	-	2	2
Shares in Statewide Superannuation Pty Ltd				
- at cost	-	-	2	2
Investment in LGCS Pty Ltd and LGCS Trust No 1				
- at cost	-	-	50,000	50,000
- less impairment	-	-	(50,000)	(50,000)
	-	-	4	4
NOTE 15 - PROPERTY, PLANT AND EQUIPMENT				
LAND AND BUILDINGS				
Freehold land				
- at valuation	2,915,806	2,915,806	2,915,806	2,915,806
Buildings				
- at valuation	16,734,194	16,734,194	16,734,194	16,734,194
Less: accumulated depreciation	(836,710)	(418,355)	(836,710)	(418,355)
	15,897,484	16,315,839	15,897,484	16,315,839
Total land and buildings	18,813,290	19,231,645	18,813,290	19,231,645
PLANT AND EQUIPMENT				
Building improvements				
At cost	290,996	290,996	290,996	290,996
Less: accumulated depreciation	(149,417)	(120,317)	(149,417)	(120,317)
	141,579	170,679	141,579	170,679
Office furniture and equipment				
At cost	3,427,146	3,406,336	3,426,009	3,405,199
Capital work in progress	83,297	-	83,297	-
Less: accumulated depreciation	(1,646,719)	(1,358,917)	(1,645,761)	(1,358,025)
	1,863,724	2,047,419	1,863,545	2,047,174
Motor vehicles				
At cost	373,922	383,169	307,795	317,042
Less: accumulated depreciation	(78,905)	(139,165)	(52,285)	(122,464)
	295,017	244,004	255,510	194,578
Total plant and equipment	2,300,320	2,462,102	2,260,634	2,412,431
Total property, plant and equipment	21,113,610	21,693,747	21,073,924	21,644,076

The Association's land and buildings were revalued at 30 June 2013 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.

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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	19,231,645	170,679	2,047,419	244,004	21,693,747
Additions	-	-	20,810	199,975	220,785
Capital work in progress	-	-	83,297	-	83,297
Disposals	-	-	-	(91,234)	(91,234)
Depreciation expense	(418,355)	(29,100)	(287,802)	(57,728)	(792,985)
Carrying amount at the end of year	18,813,290	141,579	1,863,724	295,017	21,113,610

Parent	Freehold Land & Buildings \$	Building Improvements \$	Office Furniture & Equipment \$	Motor Vehicles \$	Total \$
Balance at the beginning of year	19,231,645	170,679	2,047,174	194,578	21,644,076
Additions	-	-	20,810	199,975	220,785
Capital work in progress	-	-	83,297	-	83,297
Disposals	-	-	-	(91,234)	(91,234)
Depreciation expense	(418,355)	(29,100)	(287,736)	(47,809)	(783,000)
Carrying amount at the end of year	18,813,290	141,579	1,863,545	255,510	21,073,924

NOTE 16 - TRADE AND OTHER PAYABLES

CURRENT

	Consolidated Entity		Parent Entity	
	2015 \$	2014 \$	2015 \$	2014 \$
Bank overdraft	-	304,427	-	-
Trade payables	518,557	2,855,592	502,690	539,650
Sundry creditors and accruals	640,389	353,027	172,716	131,451
Australian Taxation Office payable	3,271,124	2,001,254	26,316	55,710
The Jim Crawford Award Trust	74,305	82,612	74,305	82,612
	4,504,375	5,596,912	776,027	809,423

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 17 - PROVISIONS

	Catastrophe margin	Annual leave	Long service leave	Total
Parent				
At 30 June 2014	-	238,386	519,845	758,231
At 30 June 2015	-	230,935	588,058	818,993
Consolidated				
At 30 June 2014	85,000	257,072	535,037	877,109
At 30 June 2015	85,000	250,116	606,519	941,635
	Consolidated Entity	Parent Entity		
	2015	2014	2015	2014
	\$	\$	\$	\$
Analysis of Total Provisions				
Current	773,225	678,406	735,583	659,720
Non-current	168,410	198,703	83,410	98,511
	941,635	877,109	818,993	758,231

NOTE 18 - UNEARNED MEMBER CONTRIBUTION
LIABILITY

CURRENT				
Unearned members' contribution liability at 1 July	30,193,815	29,634,795	-	-
Members' contribution written in the year	32,499,643	29,923,187	-	-
Earning of members' contribution during the year	(30,308,891)	(29,364,167)	-	-
Unearned members' contribution liability at 30 June	32,384,567	30,193,815	-	-

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19 - OUTSTANDING CLAIMS LIABILITY		Consolidated Entity		Parent Entity	
		2015	2014	2015	2014
		\$	\$	\$	\$
(a) Calculation					
Central Estimate	(A)	29,229,433	28,637,000	-	-
Discount to present value		(1,506,258)	(1,970,722)	-	-
		<u>27,723,175</u>	<u>26,666,278</u>	-	-
Claims Handling cost	(B)	<u>571,681</u>	<u>545,370</u>	-	-
		28,294,856	27,211,648	-	-
Risk Margin	(C)	<u>3,921,637</u>	<u>3,629,263</u>	-	-
Gross Outstanding Claims Liability		<u>32,216,493</u>	<u>30,840,911</u>	-	-
Gross Claims incurred - undiscounted	(A)+(B)+(C)	33,722,751	32,811,633	-	-
Current		11,286,690	10,292,861	-	-
Non - current		<u>20,929,803</u>	<u>20,548,050</u>	-	-
		<u>32,216,493</u>	<u>30,840,911</u>	-	-

(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 :

	2015	2014
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

	2015			2014		
	Gross	Recoveries	Net	Gross	Recoveries	Net
	\$	\$	\$	\$	\$	\$
Balance at 1 July	30,840,911	(9,969,566)	20,871,345	33,245,998	11,019,529	22,226,469
Current year claims incurred	13,436,801	(1,873,416)	11,563,385	15,451,969	4,164,939	11,287,030
Previous years claims incurred	2,174,814	1,479,297	3,654,111	(3,436,316)	(1,203,585)	(2,232,731)
Claims (credit)/expense	15,611,615	(394,119)	15,217,496	12,015,653	2,961,354	9,054,299
All claims paid during year	(14,236,033)	937,513	(13,298,520)	(14,420,740)	(4,011,316)	(10,409,424)
Balance at 30 June	<u>32,216,493</u>	<u>(9,426,172)</u>	<u>22,790,321</u>	<u>30,840,911</u>	<u>9,969,567</u>	<u>20,871,344</u>

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.
- (b) **Employee entitlement reserve**
The employee entitlement reserve records the association's annual and long service leave entitlement liability.
- (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

Commencing in July 2008 wages paid to apprentices and trainees in approved training programs were exempted from any Work Cover levy. It has come to the Board Members' attention that some members have submitted their wage declarations without taking into full account the implications of the above change. The members have suggested that an overpayment of contributions for 2008-2009 and 2009-2010 may need to be adjusted.

The Board has considered this issue and in consideration of the Scheme's objectives, resolved to not accept any retrospective adjustments to contributions.

No financial impact has been reported in the 2015 Annual Report.

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 2015 or on the results or cash flows of the Association and its controlled entities for the year ended on that date.

NOTE 23 - INVESTMENT AND CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2015	2014
Local Government Mutual Liability Scheme	Australia	100	100
Local Government Workers Compensation Scheme	Australia	100	100
LGCS Pty Ltd	Australia	100	100
LGCS Trust No. 1	Australia	100	100

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

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 David Andrew O'Loughlin	Mayor Ann Shirley Ferguson (OAM)
Mayor Lorraine Florence Rosenberg	Mayor Michael James Picton
Mayor Barry Kym McHugh	Mayor Peter Robert Hunt
Mayor James Maitland	Mayor Lachlan Robert Oliver Clyne
Deputy Mayor Jillian Yvonne Whittaker	Mayor Denis Vincent Clarke
Cr Dr Michael John Llewellyn-Smith (AM)	Mayor David Thomas Parkin
Mayor Richard Vickery	Mayor William Spragg
Mayor Gillian Mary Aldridge	Mayor Robert Bria
Mayor Leon Stasinowsky	Mayor Allan Aughey
Cr Carolyn Wigg	Mayor Evan Flint
Mayor Julie Katherine Low	Mayor Jayne Bates (OAM)
Cr Peter Andrew Jamieson	Cr Peter Solomon
Mayor David James Burgess	Mayor Bruce Green

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 will continue to manage and operate the Scheme in accordance with the Operations Agreement and any relevant legislation.

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 2015**

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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Administration charges received:				
- Local Government Association Workers' Compensation Scheme	-	-	476,066	448,852
- Local Government Mutual Liability Scheme	-	-	425,404	415,499
	-	-	901,470	864,351
Insurance paid:				
- Local Government Mutual Liability Scheme	32,853	45,530	32,853	29,558
Investment income received:				
- Local Government Financing Authority of South Australia	3,291,676	3,093,504	-	-
Management fees paid:				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	3,291,676	3,157,484	-	-
Outward reinsurance premium paid:				
- Jardine Lloyd Thompson Pty Ltd as Insurance Broker	7,391,755	7,520,443	-	-
- South Australian Government Financing Authority	215,793	215,793	-	-
	7,607,548	7,736,236	-	-
Risk management fees paid:				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	3,116,400	2,909,875	-	-
Injury Management Services				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	45,343	45,434	-	-
Injury Management Services - legislative compliance & management				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	112,890	-	-	-
OHS Core Systems Development				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	722,348	1,297,968	-	-
Risk audit fee - Airports:				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	82,250	79,934	-	-
Rail Interface Risk Assessment App				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	-	50,000	-	-
Local Disaster Management Plan				
- Jardine Lloyd Thompson Pty Ltd as Scheme Manager	-	100,000	-	-

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 24 - RELATED PARTIES (CONT)

Transactions with related parties

	Consolidated Entity		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
Accrued interest receivable:				
- Local Government Financing Authority of South Australia	625,793	669,571	-	-
Investments at face value:				
- Local Government Financing Authority of South Australia	73,498,375	76,908,248	-	-
Prepayments:				
- South Australian Government Financing Authority	132,418	132,420	-	-
Rent received from Scheme/LGCS				
- Local Government Association of South Australia	-	-	357,617	377,341

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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Statement of Profit or Loss and Other Comprehensive Income				
Member contributions and other income	21,362,570	20,691,371	12,243,757	14,448,397
Profit	(3,187,410)	3,158,555	1,886,084	864,740
Statement of Financial Position				
Current assets	43,713,640	52,763,478	34,653,069	45,608,328
Non-current assets	24,291,865	15,811,043	17,914,253	7,435,232
Total assets	68,005,505	68,574,521	52,567,322	53,043,560
Current liabilities	32,501,480	29,652,970	14,867,230	14,841,421
Non-current liabilities	10,557,785	9,287,901	10,457,018	11,345,149
Total liabilities	43,059,265	38,940,871	25,324,248	26,186,570
Net Assets	24,946,240	29,633,650	27,243,074	26,856,990

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated Entity		Parent Entity	
	2015	2014	2015	2014
	\$	\$	\$	\$
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	(4,291,535)	5,315,739	(2,877,706)	1,226,289
Non-cash flows in profit from ordinary activities				
- Depreciation of non-current assets	792,985	804,476	783,000	794,434
- Loss on disposal of non-current assets	8,065	(1,532)	8,065	(1,532)
- Impairment of loan/investments (net)	102,318	56,963	-	-
Changes in assets and liabilities				
(Increase)/decrease in trade and term receivables	1,170,576	(4,567,808)	3,424,689	(3,961,166)
(Increase)/decrease in other assets	554,782	338,295	51	(28,862)
Increase/(decrease) in trade payables	(772,472)	830,744	(33,396)	(362,451)
Increase/(decrease) in outstanding claims and unearned contributions	3,566,337	(1,846,069)	-	-
Increase/(decrease) in provisions	64,526	100,398	60,762	74,564
Cash flow from / (used in) operations	<u>1,195,582</u>	<u>1,031,206</u>	<u>1,365,465</u>	<u>(2,258,724)</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 2015**

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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	14,756,794	13,457,548	9,317,909	8,173,357
Trade and other receivables	48,161,316	49,890,923	2,153,701	5,578,390
Financial assets at fair value through the profit and loss:				
Deposits with LGFA	69,198,319	72,929,641	-	-
Available for sale financial assets:				
Shares in related entities	-	-	-	-
Total financial assets	<u>132,116,429</u>	<u>136,278,112</u>	<u>11,471,610</u>	<u>13,751,747</u>
Financial Liabilities				
Trade and other payables	4,504,375	5,596,912	776,027	809,423
Bank overdraft	-	304,427	-	-
Total financial liabilities	<u>4,504,375</u>	<u>5,901,339</u>	<u>776,027</u>	<u>809,423</u>

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 2015 (2014: Nil).

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 2015

NOTE 27 - FINANCIAL RISK MANAGEMENT (CONT)

(b) Liquidity risk (Cont)

Consolidated Entity	Within 1 year		1 to 2 years		Over 2 years		Total
	2015	2014	2015	2014	2015	2014	
	\$	\$	\$	\$	\$	\$	\$
Financial Assets							
Cash and cash equivalents	14,756,794	13,457,548	-	-	-	-	13,457,548
Trade and other receivables	41,380,766	42,455,691	6,780,550	7,435,232	-	-	49,890,923
Deposits with LGFA	33,772,751	57,118,598	35,425,568	15,811,043	-	-	72,929,641
Total Financial Assets	89,910,311	113,031,837	42,206,118	23,246,275	-	-	136,278,112
Financial Liabilities							
Trade and other payables	4,504,375	5,292,485	-	-	-	-	5,292,485
Bank overdraft	-	304,427	-	-	-	-	304,427
Total Financial Liabilities	4,504,375	5,596,912	-	-	-	-	5,596,912

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 27 - FINANCIAL RISK MANAGEMENT (CONT)

(b) Liquidity risk (Cont.)

Parent Entity	Within 1 year		1 to 2 years		Over 2 years		Total
	2015	2014	2015	2014	2015	2014	
	\$	\$	\$	\$	\$	\$	\$
Financial Assets							
Cash and cash equivalents	9,317,909	8,173,357	-	-	-	-	8,173,357
Trade and other receivables	2,153,701	5,578,390	-	-	-	-	2,153,701
Total Financial Assets	11,471,610	13,751,747	-	-	-	-	13,751,747
Financial Liabilities:							
Trade and other payables	776,027	809,423	-	-	-	-	776,027
Total Financial Liabilities	776,027	809,423	-	-	-	-	809,423

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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.

	Consolidated Entity		Parent Entity	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
Year ended 30 June 2015				
+/- 1% in interest rates	+/- 851,712	+/- 851,712	+/- 87,456	+/- 87,456
Year ended 30 June 2014				
+/- 1% in interest rates	+/- 910,875	+/- 910,875	+/- 338,619	+/- 338,619

Net Fair Values

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 27 - FINANCIAL RISK MANAGEMENT (CONT)

(c) Market risk (Cont)	Consolidated Entity	Fixed interest maturing in				Non-interest bearing		Total
		Within 1 year	1 to 2 years	2014	2015	2014	2015	
		2015	2014	2015	2014	2015	2014	2015
		\$	\$	\$	\$	\$	\$	\$
	Financial Assets							
	Cash and cash equivalents	14,756,794	13,457,548	-	-	-	-	14,756,794
	Trade and other receivables	-	-	-	-	48,161,316	49,890,923	48,161,316
	Deposits with LGFA	33,772,751	57,118,598	35,425,568	15,811,043	-	-	69,198,319
	Total Financial Assets	48,529,545	70,576,146	35,425,568	15,811,043	48,161,316	49,890,923	132,116,429
	Financial Liabilities							
	Trade and other payables	-	-	-	-	4,504,375	5,292,485	4,504,375
	Bank overdraft	-	-	-	-	-	304,427	-
	Total Financial Liabilities	-	-	-	-	4,504,375	5,596,912	4,504,375
								5,596,912

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

NOTE 27 - FINANCIAL RISK MANAGEMENT (CONT)

(c) Market risk (Cont)

Parent Entity	Fixed interest maturing in		Non-interest bearing		Total
	Within 1 year	1 to 2 years	2015	2014	
	2015	2014	2015	2014	2015
	\$	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	9,317,909	8,173,357	-	-	9,317,909
Trade and other receivables	-	-	2,153,701	5,578,390	2,153,701
Available-for-sale financial assets	-	-	4	4	4
Total Financial Assets	9,317,909	8,173,357	2,153,705	5,578,394	11,471,614
					13,751,751
Financial Liabilities:					
Trade and other payables	-	-	776,027	809,423	776,027
Borrowings	-	-	-	-	-
Total Financial Liabilities	-	-	776,027	809,423	776,027
					809,423

LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

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
	\$	\$	\$	\$
2015				
Assets				
Deposits with LGFA	- 69,198,319		- 69,198,319	
Property, plant and equipment	- 18,813,290		- 18,813,290	
	<u>- 88,011,609</u>		<u>88,011,609</u>	
2014				
Assets				
Deposits with LGFA	- 72,929,641		- 72,929,641	
Property, plant and equipment	- 19,231,645		- 19,231,645	
	<u>- 92,161,286</u>		<u>- 92,161,286</u>	
Parent Entity				
2015				
Assets				
Available for sale financial assets	- 4		- 4	
Property, plant and equipment	- 18,813,290		- 18,813,290	
	<u>- 18,813,294</u>		<u>- 18,813,294</u>	
2014				
Assets				
Available for sale financial assets	- 4		- 4	
Property, plant and equipment	- 19,231,645		- 19,231,645	
	<u>- 19,231,649</u>		<u>- 19,231,649</u>	

The Association's land and buildings were revalued at 30 June 2013 by independent valuers, Maloney Field Services. Valuations were made on the basis of open market value.

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 2015

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 2015 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 David Andrew O'Loughlin	(President, Immediate Past President)	39,675
Mayor David James Burgess	(President, Member)	9,814
Mayor Barry Kym McHugh	(Immediate Past President)	1,441
Mayor Lorraine Florence Rosenberg	(Vice President)	4,134
Mayor James Maitland	(Vice President)	1,441
Deputy Mayor Jillian Yvonne Whittaker	(Vice President)	4,134
Mayor Richard Vickery	(Vice President)	2,341
Mayor Ann Shirley Ferguson (OAM)	(Vice President, Member)	1,194
Mayor Peter Robert Hunt	(Vice President, Member)	994
Cr Dr Michael John Llewellyn-Smith (AM)	(Member)	100
Mayor Gillian Mary Aldridge	(Member, Deputy)	400
Cr Carolyn Wigg	(Deputy)	300
Mayor Julie Katherine Low	(Member)	300
Cr Peter Andrew Jamieson	(Member, Deputy)	600
Mayor Michael James Picton	(Deputy)	100
Mayor Lachlan Robert Oliver Clyne	(Member)	400
Mayor Denis Vincent Clarke	(Deputy)	500
Mayor David Thomas Parkin	(Member)	600
Mayor William Spragg	(Member, Deputy)	500
Mayor Robert Bria	(Member)	100
Mayor Glen Spear	(Member)	200
Mayor Erika Johanna Vickery	(Member)	200
Mayor Kevin Knight	(Deputy)	100
Mayor Bruce Leslie Green	(Member, Deputy)	200

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 LGA Board.



President



Chief Executive Officer

Dated 23/10/15

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.granthornton.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCAL GOVERNMENT ASSOCIATION OF SOUTH AUSTRALIA AND ITS CONTROLLED ENTITIES

We have audited the accompanying financial report of Local Government Association of South Australia and its Controlled Entities (the "Association"), which comprises the statement of financial position as at 30 June 2015, 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 Board of 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.

Responsibility of the Board of Directors for the financial report

The Board of Directors of the Association is 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 of Directors 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 of Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements and notes, comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards 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.

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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 of Directors, 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.

Auditor's Opinion

In our opinion,

- a the financial report of Local Government Association of South Australia and its Controlled Entities:
 - i presents fairly, in all material respects, the Association's and consolidated entity's financial position as at 30 June 2015 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants


J.L. Humphrey *
Partner – Audit & Assurance

Adelaide, 23 October 2015



Local Government Association
of South Australia

The voice of local government.

148 Frome St
Adelaide SA 5000

GPO Box 2693
Adelaide SA 5001

T (08) 8224 2000

F (08) 8232 6336

E lgasa@lga.sa.gov.au

www.lga.sa.gov.au