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## To the Chair Local Government Finance Authority of South Australia

### Opinion

I have audited the financial report of the Local Government Finance Authority of South Australia for the financial year ended 30 June 2025.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Local Government Finance Authority of South Australia as at 30 June 2025, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2025
- a Statement of Financial Position as at 30 June 2025
- a Statement of Changes in Equity for the year ended 30 June 2025
- a Statement of Cash Flows for the year ended 30 June 2025
- notes, comprising material accounting policy and other explanatory information
- a Certificate from the Chair, Chief Executive Officer and the Financial Controller.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Local Government Finance Authority of South Australia. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of the Chief Executive Officer and Board for the financial report**

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive Officer is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

The Board is responsible for overseeing the entity's financial reporting process.

### **Auditor's responsibilities for the audit of the financial report**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 33(2) of the *Local Government Finance Authority Act 1983*, I have audited the financial report of the Local Government Finance Authority of South Australia for the financial year ended 30 June 2025.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Local Government Finance Authority of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive Officer
- conclude on the appropriateness of the Chief Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Daniel O'Donohue  
**Deputy Auditor-General**

25 September 2025

## Certification of the financial statements

We certify that the:

- financial statements of the Local Government Finance Authority of South Australia:
  - are in accordance with the accounts and records of the authority; and
  - comply with relevant Treasurer's instructions; and
  - comply with relevant accounting standards; and
  - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Local Government Finance Authority of South Australia for the financial year over its financial reporting and its preparation of financial statements have been effective.



.....  
DJ Lambert  
Chief Executive Officer



.....  
GC Hollitt  
Financial Controller



.....  
M Sedgman  
Chair

24 September 2025

# LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2025

	Note	2025 \$'000	2024 \$'000
<b>INCOME</b>			
Interest on investments	3.1	859	2,838
Interest on loans and advances	3.2	60,067	53,268
Other Income	3.3	785	405
<b>TOTAL INCOME</b>		<b>61,711</b>	<b>56,511</b>
<b>EXPENSES</b>			
Interest on deposits from councils and local government bodies	4.1	24,315	23,840
Interest on borrowings	4.2	22,982	19,684
State Government guarantee fee	4.3	1,599	1,460
Administration expenses	4.4	2,707	2,527
Loan impairment expense	4.5, 9.3 b)	254	63
<b>TOTAL EXPENSES</b>		<b>51,857</b>	<b>47,574</b>
<b>PROFIT BEFORE INCOME TAX EQUIVALENTS</b>		<b>9,854</b>	<b>8,937</b>
Income tax equivalent expense	4.6	2,956	2,681
<b>PROFIT AFTER INCOME TAX EQUIVALENTS</b>		<b>6,898</b>	<b>6,256</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that will not be reclassified to Profit Before Income Tax Equivalents			
Change In Revaluation Reserve	5.7	-	558
<b>TOTAL COMPREHENSIVE RESULT</b>		<b>6,898</b>	<b>6,814</b>

The accompanying notes form part of these financial statements. The profit after income tax equivalents and comprehensive result are attributable to the owners.

# LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

	Note	2025 \$'000	2024 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	5.1	2	176,568
Accrued interest receivable	5.2	10,438	8,522
Investment securities	5.3	34,998	4,999
Other assets	5.4	72	95
Net loans and advances	5.5	950,513	879,822
Derivatives	5.6	12,017	23,056
Property, plant & equipment	5.7	2,291	2,330
Intangible assets	5.8	116	182
<b>TOTAL ASSETS</b>		<b>1,010,447</b>	<b>1,095,574</b>
<b>LIABILITIES</b>			
Deposits from councils and local government bodies	6.1	497,490	422,605
Grants payable to councils	6.1A	-	176,566
Accrued interest payable	6.2	5,397	4,455
Borrowings	6.3	422,629	410,880
Provisions	6.4	4,906	4,996
Other liabilities	6.5	294	239
<b>TOTAL LIABILITIES</b>		<b>930,716</b>	<b>1,019,741</b>
<b>NET ASSETS</b>		<b>79,731</b>	<b>75,833</b>
<b>EQUITY</b>			
General reserve	7.1	78,400	74,550
Retained profits		644	596
Revaluation reserve	7.1	687	687
<b>TOTAL EQUITY</b>		<b>79,731</b>	<b>75,833</b>
Contingent assets and liabilities	8.2		

The accompanying notes form part of these financial statements. The total equity is attributable to the owners.

# LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2025

	General Reserve \$'000	Retained Profits \$'000	Revaluation Reserve \$'000	Total \$'000
<b>Balance at 30 June 2023</b>	<b>72,550</b>	<b>579</b>	<b>129</b>	<b>73,258</b>
Profit after income tax equivalents for 2023-24	-	6,256	-	6,256
Gain on Revaluation of Building Floorspace	-	-	558	558
<b>Total comprehensive result for 2023-24</b>	<b>-</b>	<b>6,256</b>	<b>558</b>	<b>6,814</b>
Grant to Local Government Association of South Australia*	-	(1,239)	-	(1,239)
Transfer to Special Distribution payment provision	-	(3,000)	-	(3,000)
Transfer to general reserve	2,000	(2,000)	-	-
<b>Balance at 30 June 2024</b>	<b>74,550</b>	<b>596</b>	<b>687</b>	<b>75,833</b>
Profit after income tax equivalents for 2024-25	-	6,898	-	6,898
<b>Total comprehensive result for 2024-25</b>	<b>-</b>	<b>6,898</b>	<b>-</b>	<b>6,898</b>
Transfer to Special Distribution payment provision	-	(3,000)	-	(3,000)
Transfer to general reserve	3,850	(3,850)	-	-
<b>Balance at 30 June 2025</b>	<b>78,400</b>	<b>644</b>	<b>687</b>	<b>79,731</b>

\* The Grant to Local Government Association of South Australia was an appropriation of profit for local government purposes as enabled by the *Local Government Finance Authority Act, 1983* Section 22(2)(c).

All changes in equity are attributable to the owners.

# LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2025

	Note	2025 \$'000 Inflows (Outflows)	2024 \$'000 Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		59,634	53,831
Interest paid		(46,528)	(42,561)
State Government guarantee fee		(1,585)	(1,441)
Payments to suppliers and employees		(2,515)	(2,346)
Fees received		34	34
Income tax equivalents paid		(2,978)	(637)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	7.2	<b>6,062</b>	<b>6,880</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Loans to councils and local government bodies		(60,065)	(178,400)
Investment securities		(30,000)	15,000
Payments for property, plant & equipment		(92)	(195)
Proceeds from sale of property, plant & equipment		-	1
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(90,157)</b>	<b>(163,594)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Deposits from councils and local government bodies		(101,681)	(141,219)
Grants payable to councils		-	176,566
Short term money market facilities		19,259	373,520
Fixed term borrowings		(7,509)	(72,435)
Special Distribution payment to councils and local government bodies		(3,000)	(2,000)
Grant to Local Government Association of South Australia		-	(1,239)
Other		460	88
<b>NET PROVIDED BY FINANCING ACTIVITIES</b>		<b>(92,471)</b>	<b>333,281</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(176,566)</b>	<b>176,567</b>
Cash and cash equivalents at the beginning of the period		176,568	1
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	7.2	<b>2</b>	<b>176,568</b>

The accompanying notes form part of these financial statements.



# LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

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# LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2025

### 1. About the Local Government Finance Authority

The Local Government Finance Authority of South Australia (the Authority) is a for-profit Public Authority and was established pursuant to the *Local Government Finance Authority Act, 1983*. The Authority strives to be the leading financial institution for local government in South Australia and aims to be the source of all loans and investments for councils by providing superior value offerings.

The Authority is not part of the Crown, nor is it an agency or instrumentality of the Crown as legislated by S4(4) of the *Local Government Finance Authority Act, 1983*.

The Authority does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the Authority.

#### 1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured. The Statement of Financial Position is presented on a liquidity basis.

Expenses and assets are recognised inclusive of the amount of GST as the Authority is a financial supply only business.

#### Accounting judgements, estimates and assumptions

In the process of applying the Authority's accounting policies, management has made judgements in the classification of financial instruments which has had a significant effect on the amounts recognised in the financial statements.

Some of the Authority's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value of financial instruments, the Authority uses market-observable data to the extent it is available.

Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 and stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition and to stage 3 when it is credit impaired. *AASB 9 Financial Instruments* does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased management takes into account qualitative and quantitative reasonable and supportable forward-looking information.

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and accounting policy statements have required a change.

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

### Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

### 1.2. Objectives and programs

The objective of the Authority is to provide the best possible financial outcomes for our members, generate sufficient profit to satisfy our stakeholder expectations and build adequate reserves to assist with future profits.

The functions of the Authority are as follows:

- to develop and implement borrowing and investment programmes for the benefit of councils and prescribed local government bodies; and
- to engage in such other financial activities as are determined by the Minister, after consultation with the Local Government Association, to be in the interests of local government.

### 1.3. Significant transactions with government related entities

	2025 \$'000	2024 \$'000
<b>Expense transactions with the South Australian government</b>		
Interest paid on borrowings	12,068	8,855
State government guarantee fee	1,599	1,460
Income tax equivalents expense	2,956	2,681
<b>Total</b>	<b>16,623</b>	<b>12,996</b>
<b>Liabilities outstanding to the South Australian government</b>		
Borrowings	422,629	410,880
Interest payable on borrowings	1,496	1,518
<b>Total</b>	<b>424,125</b>	<b>412,398</b>

## 2. Board, committees and executives

### 2.1. Key management personnel

Key management personnel who have responsibility for the strategic direction and management of the Authority include members of the board and the Chief Executive Officer.

Total compensation for key management personnel was as follows:

	2025 \$'000	2024 \$'000
Salaries and other short-term employee benefits	387	366
Post-employment benefits	37	33
<b>Total compensation</b>	<b>424</b>	<b>399</b>

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### Transactions with key management personnel and other related parties

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

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

The Authority transacts with councils, prescribed bodies and state government agencies of which board members may be key management personnel. Terms are consistent with the Authority's normal commercial arrangements.

### 2.2. Board and audit and risk committee members

Appointments to the board are made pursuant to Section 7 of the *Local Government Finance Authority Act, 1983*.

Members during the 2024-25 financial year were:

#### **LGFA governing board**

Mr Michael Sedgman (Chair)	Council representative
Mr Terry Buss PSM (Deputy Chair)	LGA representative retired 31 December 2024
Mr Andrew Wroniak (Deputy Chair)	LGA representative
Ms Rebecca Baines	LGA representative commenced 1 January 2025
Mr Clinton Jury	LGA Chief Executive Officer
Ms Annette Martin	Council representative retired 31 December 2024
Mr Grant Piggott	Council representative commenced 1 January 2025
Ms Nicolle Rantanen-Reynolds	Co-opted commenced 15 October 2024
Ms Danielle Lawlor*	Appointee of the Treasurer retired 24 November 2024
Ms Belinda Merrett*	Appointee of the Treasurer
Ms Lisa Smith*	Appointee of the Treasurer commenced 25 November 2024

#### **LGFA audit and risk committee**

Ms Annette Martin (Chair)	Committee member retired 31 December 2024
Mr Andrew Wroniak (Chair)	
Ms Rebecca Baines	Committee member commenced 1 January 2025
Mr Terry Buss PSM	Committee member retired 31 December 2024
Mr Grant Piggott	Committee member commenced 1 January 2025
Ms Nicolle Rantanen-Reynolds	Independent committee member retired 14 October 2024
Ms Nicolle Rantanen-Reynolds	Committee member Commenced 15 October 2024

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 2.3. Board and executive remuneration

#### Board member remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2025 No	2024 No
No remuneration	3	2
\$1 - \$19 999	7	4
\$20 000 - \$39 999	1	1
<b>Total</b>	<b>11</b>	<b>7</b>

The total remuneration received or receivable by governing board members was \$76,997 (\$68,760) which includes salary and superannuation. No additional fees were paid to board member audit and risk committee members.

\*In accordance with the *Premier and Cabinet Circular No. 016*, SA Government employees appointed by the Treasurer did not receive any remuneration for board/committee duties during the financial year. The amount payable in respect of the Chief Executive Officer of the Local Government Association of South Australia is paid to the Local Government Association of South Australia.

#### Executive remuneration

	2025 No	2024 No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$166 001 to \$171 000	-	1
\$171 001 to \$191 000	2	-
\$211 001 to \$231 000	-	1
\$311 001 to \$331 000	-	1
\$331 001 to \$351 000	1	-
<b>Total</b>	<b>3</b>	<b>3</b>

The total remuneration received by those employees for the year was \$693,000 (\$877,000).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

## 3. Income

### 3.1. Interest on investments

	2025 \$'000	2024 \$'000
Interest received on investments	859	2,838
<b>Total interest on investments</b>	<b>859</b>	<b>2,838</b>

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 3.2. Interest on loans and advances

	2025 \$'000	2024 \$'000
Interest received on fixed rate debenture loans	14,402	15,616
Interest received on cash advance debenture loans	30,561	22,287
Interest received on interest rate swaps	15,104	15,365
<b>Total interest on loans and advances</b>	<b>60,067</b>	<b>53,268</b>

### 3.3. Other income

	2025 \$'000	2024 \$'000
Guarantee fee income	34	35
Fair value hedge accounting gain	751	369
Gain on sale of fixed assets	-	1
<b>Total other income</b>	<b>785</b>	<b>405</b>

## 4. Expenses

### 4.1. Interest on deposits from councils and local government bodies

	2025 \$'000	2024 \$'000
Interest paid on deposits from councils and local government bodies	24,315	23,840
<b>Total interest on deposits from councils and local government bodies</b>	<b>24,315</b>	<b>23,840</b>

### 4.2. Interest on borrowings

	2025 \$'000	2024 \$'000
Interest paid on borrowings	12,068	8,855
Interest paid on interest rate swaps	10,914	10,829
<b>Total interest on borrowings</b>	<b>22,982</b>	<b>19,684</b>

### 4.3. State Government guarantee fee

	2025 \$'000	2024 \$'000
State Government guarantee fee	1,599	1,460
<b>Total State Government guarantee fee</b>	<b>1,599</b>	<b>1,460</b>

A fee is paid to the State Government for the guarantee of the liabilities of the Authority.

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 4.4. Administration expenses

	2025 \$'000	2024 \$'000
Audit fees	100	91
Board fees	72	69
Computer expenses	176	217
Consultancy fees	51	73
Depreciation and amortisation	197	157
Insurance	52	49
Legal expenses	19	40
Market information service	90	78
Occupancy expenses	40	39
Salaries & on-costs	1,471	1,239
Software license fees	172	194
Sponsorships	124	116
Other administration expenses	143	165
<b>Total administration expenses</b>	<b>2,707</b>	<b>2,527</b>

#### Audit fees

The amounts received, or due and receivable in respect of this financial year by the auditors in connection with:

	2025 \$'000	2024 \$'000
Auditing work performed by the Audit Office of South Australia*	66	64
Internal audit services, including a Financial Management Compliance Program by an independent audit firm	34	27
<b>Total audit fees</b>	<b>100</b>	<b>91</b>

\* Audit fees paid/payable to the Audit Office of South Australia relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Audit Office of South Australia.

#### Depreciation and amortisation

	2025 \$'000	2024 \$'000
Building floorspace	32	30
Computer software	107	68
Furniture and fittings	24	18
Motor vehicles	6	6
Office equipment	28	35
<b>Total depreciation and amortisation</b>	<b>197</b>	<b>157</b>

All fixed assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### Useful life

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	Useful life (years)
Building floorspace	70
Computer software	2.5 - 3
Furniture and fittings	5
Motor vehicles	10
Office equipment	3

### 4.5. Loan impairment expense

	2025 \$'000	2024 \$'000
Increase in expected credit loss allowance	254	63
<b>Total loan impairment expense</b>	<b>254</b>	<b>63</b>

### 4.6. Income tax equivalent expense

	2025 \$'000	2024 \$'000
Income tax equivalent expense	2,956	2,681
<b>Total income tax equivalent expense</b>	<b>2,956</b>	<b>2,681</b>

The Authority is required to make payments equivalent to company income tax under the taxation equivalent payment system. The equivalent company income tax liability is calculated/applied on an accounting profits basis.

Payments are made to the Department of Treasury and Finance and held in the Local Government Taxation Equivalents Fund. In accordance with Section 31A of the *Local Government Finance Authority Act, 1983* the funds are to be applied for local government development purposes as recommended by the Local Government Association.

## 5. Assets

### 5.1. Cash and cash equivalents

	2025 \$'000	2024 \$'000
Cash and cash equivalents*	2	176,568
<b>Total Cash and cash equivalents</b>	<b>2</b>	<b>176,568</b>

\*Cash and cash equivalents at 30 June 2024 included a payment of \$176.6M from the South Australian Local Government Grants Commission (SALGGC). This was a prepayment of the 2024-25 Financial Assistance Grants which were subsequently credited to council deposit accounts on 1 July 2024.



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 5.2. Accrued interest receivable \*

	2025 \$'000	2024 \$'000
Interest receivable on:		
Loans to councils and local government bodies	9,804	8,406
Investment securities	634	116
<b>Total accrued interest receivable</b>	<b>10,438</b>	<b>8,522</b>

\* The accrued interest receivable on derivatives which are required to be recorded at fair value and the hedge accounting revaluation have been transferred to the respective line items.

### 5.3. Investment securities

	2025 \$'000	2024 \$'000
Bank term deposits	35,000	5,000
Expected credit loss allowance	(2)	(1)
<b>Total investment securities</b>	<b>34,998</b>	<b>4,999</b>

### 5.4. Other assets

	2025 \$'000	2024 \$'000
Sundry debtors and prepayments	72	95
<b>Total sundry debtors and prepayments</b>	<b>72</b>	<b>95</b>

### 5.5. Net loans and advances

	2025 \$'000	2024 \$'000
Advances	572,027	558,316
Term loans	392,428	346,074
<b>Loans and advances</b>	<b>964,455</b>	<b>904,390</b>
Hedge accounting revaluation	(8,184)	(19,063)
Expected credit loss allowance	(5,758)	(5,505)
<b>Net loans and advances</b>	<b>950,513</b>	<b>879,822</b>

The following security is held over loan agreements entered into by the Authority:

#### (i) Debentures over council general revenue

Loan agreements with councils are secured by debentures which provide a charge over council general revenue.

#### (ii) Schedule 2 of the Local Government Act 1999

Loans to prescribed local government bodies which are council subsidiaries rely upon the constitutional obligations of councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the *Local Government Act 1999*.

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### (iii) First registered mortgage and specific security deed

Loan agreements with the Local Government Association of South Australia (LGA) are secured by first registered mortgage over their building at 148 Frome Street, Adelaide, SA, 5000. In addition to this a specific security deed was entered into between the Authority and LGA in relation to the State-Local Government Infrastructure Partnership (SLGIP). The specific security deed grants the Authority a first ranking security interest over certain cash flows arising from the SLGIP agreement.

### (iv) Mortgages over freehold properties and specific security deed

The Authority holds mortgages over freehold properties and a specific security deed over certain water supply assets of the District Council of Coorber Pedy (DCCP). This security is in addition to the debentures over council general revenue held for loans to DCCP (refer Note 5.5(i)).

### (v) Mortgage over property

The Authority holds mortgages over certain properties of the City of Prospect. This security is in addition to the debentures over council general revenue held for loans to City of Prospect (refer Note 5.5(i)).

## 5.6. Derivatives

	2025 \$'000	2024 \$'000
Swap principal receivable	1,250	1,710
Interest receivable on interest rate swaps	1,359	1,809
Interest payable on interest rate swaps	(2,009)	(2,182)
Fair value adjustment	11,417	21,719
<b>Interest rate swaps</b>	<b>12,017</b>	<b>23,056</b>

## 5.7. Property, plant and equipment

	2025 \$'000	2024 \$'000
<b>Building floorspace</b>		
Building floorspace at fair value	2,213	2,213
Accumulated depreciation at the end of the period	(53)	(21)
<b>Total building floorspace</b>	<b>2,160</b>	<b>2,192</b>
<b>Furniture and fittings</b>		
Furniture and fittings at cost (deemed fair value)	461	442
Accumulated depreciation at the end of the period	(407)	(383)
<b>Total furniture and fittings</b>	<b>54</b>	<b>59</b>
<b>Motor vehicles</b>		
Motor vehicles at cost (deemed fair value)	62	62
Accumulated depreciation at the end of the period	(16)	(10)
<b>Total motor vehicles</b>	<b>46</b>	<b>52</b>
<b>Office equipment</b>		
Office equipment at cost (deemed fair value)	236	204
Accumulated depreciation at the end of the period	(205)	(177)
<b>Total office equipment</b>	<b>31</b>	<b>27</b>
<b>Total property, plant and equipment</b>	<b>2,291</b>	<b>2,330</b>

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### Initial Recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

### Revaluation

Revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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

### Building floorspace

The Authority obtains a valuation appraisal from a professionally qualified valuer of its owned and occupied building floorspace every six years in accordance with APS 116.E. The latest market valuation appraisal was provided by WBP Property Group as at 5 October 2023.

### Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity.

### Reconciliation 2024-25

	Building floorspace \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
Carrying amount at 1 July 2024	<b>2,192</b>	<b>59</b>	<b>52</b>	<b>27</b>	<b>2,330</b>
Acquisitions	-	19	-	32	51
Depreciation	(32)	(24)	(6)	(28)	(90)
Carrying amount at 30 June 2025	<b>2,160</b>	<b>54</b>	<b>46</b>	<b>31</b>	<b>2,291</b>

### Reconciliation 2023-24

	Building floorspace \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Total \$'000
Carrying amount at 1 July 2023	<b>1,665</b>	<b>59</b>	<b>58</b>	<b>63</b>	<b>1,845</b>
Acquisitions	-	18	-	-	18
Disposals	-	-	-	(1)	(1)
Revaluation	558	-	-	-	558
Depreciation	(31)	(18)	(6)	(35)	(90)
Carrying amount at 30 June 2024	<b>2,192</b>	<b>59</b>	<b>52</b>	<b>27</b>	<b>2,330</b>

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 5.8. Intangible assets

	2025 \$'000	2024 \$'000
<b>Computer software</b>		
Internally developed computer software	214	214
Accumulated amortisation	(212)	(200)
Purchased computer software	499	458
Accumulated amortisation	(385)	(290)
<b>Total computer software</b>	<b>116</b>	<b>182</b>

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The acquisition of or internal development of software is capitalised only when the expenditure meets the recognition criteria for capital expenditure.

The internally developed computer software relates to the development of applications including the customer transaction reporting system and web portal.

#### Reconciliation 2024-25

	Internally developed computer software \$'000	Purchased computer software \$'000	Total \$'000
Carrying amount at 1 July 2024	15	167	182
Acquisitions	-	41	41
Amortisation	(12)	(95)	(107)
Carrying amount at 30 June 2025	3	113	116

#### Reconciliation 2023-24

	Internally developed computer software \$'000	Purchased computer software \$'000	Total \$'000
Carrying amount at 1 July 2023	39	33	72
Acquisitions	-	178	178
Amortisation	(24)	(44)	(68)
Carrying amount at 30 June 2024	15	167	182

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 6. Liabilities

#### 6.1. Deposits from councils and local government bodies

	2025 \$'000	2024 \$'000
At call	312,952	254,007
Fixed term	184,538	168,598
<b>Total deposits from councils and local government bodies</b>	<b>497,490</b>	<b>422,605</b>

#### Concentrations of deposits

The Authority is an industry specific financial institution which operates under the *Local Government Finance Authority Act, 1983*. The Authority is restricted by legislation to accepting deposits from councils and local government bodies operating in South Australia.

#### 6.1A Grants payable to councils

	2025 \$'000	2024 \$'000
Financial Assistance Grants from SALGGC*	-	176,566
<b>Total grants payable to councils</b>	<b>-</b>	<b>176,566</b>

\* LGFA received a prepayment of Financial Assistance Grants from SALGGC to be transferred to councils.

#### 6.2. Accrued interest payable

	2025 \$'000	2024 \$'000
Interest payable on:		
Deposits from councils and local government bodies	3,901	2,937
Borrowings*	1,496	1,518
<b>Total accrued interest payable</b>	<b>5,397</b>	<b>4,455</b>

\* The accrued interest payable on interest rate swaps which are required to be recorded at fair value has been transferred to the Derivatives line item.

#### 6.3. Borrowings

	2025 \$'000	2024 \$'000
Short term money market facility	408,634	389,376
Fixed term borrowings	13,995	21,504
<b>Total borrowings</b>	<b>422,629</b>	<b>410,880</b>

#### 6.4. Provisions

	2025 \$'000	2024 \$'000
Employee benefits	277	290
Employee on-costs	32	86
Fringe benefits tax	6	7
Special distribution payment to councils and local government bodies	3,000	3,000
Provision for income tax equivalents	1,591	1,613
<b>Total provisions</b>	<b>4,906</b>	<b>4,996</b>

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### Employee benefits

A provision is made in respect of the Authority's liability for annual leave and long service leave as at balance date. Long service leave is accrued for all employees from the date of commencement of service. The amount included in the accounts is the undiscounted amount expected to be paid.

No provision is made in the accounts for sick leave entitlements.

Employee on-costs includes employer superannuation contributions which are settled when the respective employee benefits that they relate to is discharged.

Sundry creditors are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 15 days from the date the invoice is first received. All sundry creditors are non-interest bearing. The carrying amount of sundry creditors represents fair value due to their short-term nature.

### Superannuation commitments

The Authority contributes to superannuation funds as chosen by individual employees. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at the reporting date relates to any contributions due but not yet paid.

### Special distribution payment

A provision is made for the annual special distribution to clients which is based on their average account balances for loans and deposits during the financial year. This payment is made pursuant to Section 22(2)(b) of the *Local Government Finance Authority Act, 1983*.

### Income tax equivalents

A provision is made for income tax equivalents payable as at 30 June 2025.

### Movement in provisions during the year

	2025 \$'000	2024 \$'000
<b>Special distribution payment to councils and local government bodies</b>		
Opening balance 1 July	3,000	2,000
Increase in provision	3,000	3,000
Amounts paid	(3,000)	(2,000)
<b>Closing balance 30 June</b>	<b>3,000</b>	<b>3,000</b>
 <b>Provision for income tax equivalents</b>		
Opening balance 1 July	1,613	(431)
Increase in provision	2,956	2,681
Amounts paid	(2,978)	(637)
<b>Closing balance 30 June</b>	<b>1,591</b>	<b>1,613</b>

### 6.5. Other liabilities

	2025 \$'000	2024 \$'000
Sundry creditors	294	239
<b>Total other liabilities</b>	<b>294</b>	<b>239</b>

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 7. Other disclosures

#### 7.1. Equity

##### General reserve

The general reserve has been accumulated from profits earned in previous years. The purpose of the reserve is to provide the Authority with a strong financial position and to safeguard against any future adverse conditions that may be encountered. Further profits are earned through the reinvestment of the reserve funds.

##### Revaluation reserve

The asset revaluation surplus is used to record increments and decrements in the fair value of building floorspace to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

#### 7.2. Cash flow

##### Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

- (i) Client deposits and withdrawals;
- (ii) Sales and purchases of money market securities;
- (iii) Drawdown and repayment of loans and investments; and
- (iv) Fees paid and received

##### Cash flow reconciliation

	2025 \$'000	2024 \$'000
<b>Reconciliation of cash at bank at the end of the reporting period</b>		
Cash at bank disclosed in the statement of financial position	2	176,568
Balance as per the statement of cash flows	<b>2</b>	<b>176,568</b>
<b>Reconciliation of profit after income tax to net cash provided by operating activities</b>		
<b>Profit after income tax equivalents</b>	6,898	6,256
Decrease/(increase) in interest receivable	(1,292)	(2,275)
Decrease/(increase) in sundry debtors	23	(4)
Increase/(decrease) in interest payable	768	963
Increase/(decrease) in other liabilities	-	11
Increase/(decrease) in provisions	(35)	2,079
Expected credit loss allowance	254	63
Depreciation and amortisation	197	157
Revaluation loss/(gain)	(751)	(369)
Loss/(gain) on disposal of fixed assets	-	(1)
<b>Net cash provided by operating activities</b>	<b>6,062</b>	<b>6,880</b>

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 8. Outlook

#### 8.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

##### Loan commitments

	2025 \$'000	2024 \$'000
Unused cash advance facilities	712,006	605,157
<b>Total loan commitments</b>	<b>712,006</b>	<b>605,157</b>

#### 8.2. Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Authority incurs contingent assets and liabilities as part of its normal operations in providing borrowing and investment services to local government in South Australia as are contemplated by its enabling legislation.

##### Contingent assets

###### (a) Guarantee of the Treasurer of SA on liabilities

Under Section 24 of the *Local Government Finance Authority Act, 1983*, all financial obligations incurred or assumed by the Authority are guaranteed by the Treasurer on behalf of the state of South Australia.

As at 30 June 2025 the total liabilities guaranteed was \$930.716 million.

###### (b) Security for loan agreements

###### (i) Debentures over council general revenue

Loan agreements with councils are secured by debentures which provide a charge over council general revenue.

As at 30 June 2025 the total loans secured by debenture was \$889.287 million.

###### (ii) Schedule 2 of the Local Government Act 1999

Loans to prescribed local government bodies which are council regional subsidiaries rely upon the constitutional obligations of councils in the guarantee of the liabilities incurred or assumed by subsidiaries as per Schedule 2 of the *Local Government Act 1999*.

As at 30 June 2025 the total loans secured by Schedule 2 of the *Local Government Act 1999* was \$67.070 million.

###### (iii) First registered mortgage and specific security deed

Loan agreements with the Local Government Association of South Australia (LGA) are secured by first registered mortgage over their building at 148 Frome Street, Adelaide, SA, 5000. In addition to this a specific security deed was entered into between the Authority and LGA in relation to the State-Local Government Infrastructure Partnership (SLGIP). The specific security deed grants the Authority a first ranking security interest over certain cash flows arising from the SLGIP agreement.



## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

As at 30 June 2025 the total loans secured by first registered mortgage and specific security deed was \$8.098 million.

### **(iv) Mortgages over freehold properties and specific security deed**

The Authority holds mortgages over freehold properties and a specific security deed over certain water supply assets of the District Council of Coober Pedy (DCCP). This security is in addition to the debentures over council general revenue held for loans to DCCP (refer Note 8.2(b)(i)).

As at 30 June 2025 the value of the properties secured by mortgages and the specific security deed assets were not available.

### **(v) Mortgage over property**

The Authority holds mortgages over certain properties of the City of Prospect as security for a loan for those assets. This security is in addition to the debentures over council general revenue held for loans to City of Prospect (refer Note 8.2(b)(i)).

The most recent valuation of the mortgaged properties on 23 May 2023 was \$8.1M. The value of the loan secured by the mortgages at 30 June 2025 was \$8.4M.

## **Contingent liabilities**

### **(a) Financial guarantee**

The Authority has issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of the Return to Work Corporation of South Australia. The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred.

As at 30 June 2025 the amount guaranteed was \$27.243 million.

### **(b) Performance bond/guarantees**

#### **(i) Northern Adelaide Waste Management Authority**

The Authority has issued a performance bond/guarantee on behalf of the prescribed local government body, Northern Adelaide Waste Management Authority, a regional subsidiary of the City of Playford, Corporation of the Town of Gawler and City of Salisbury in favour of the Environment Protection Authority.

As at 30 June 2025 the amount guaranteed was \$1.350 million.

Note: Pursuant to Schedule 2 of the *Local Government Act 1999*, liabilities incurred or assumed by a regional subsidiary are guaranteed by the constituent councils.

## **8.3. Impact of standards not yet effective**

The Authority has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective and has determined that there will be no significant financial impact arising from them.

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### 9. Measurement and risk

#### 9.1. Fair value

*AASB 13 Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The book value of financial assets and financial liabilities shown in the table below includes principal, accrued interest and, where applicable, a fair value adjustment. The distribution of accrued interest to asset and liability categories which are recorded at amortised cost in the accounts will cause the amounts shown as book values to differ from those shown on the statement of financial position.

#### **Fair value of financial assets and financial liabilities**

The following methods and assumptions are used to determine the fair values of financial assets and liabilities:

##### **Cash**

The book value is a reasonable estimate of the fair value due to the short-term nature.

##### **Investment securities**

The fair value of fixed term deposits held with banks is estimated based on a discounted cash flow analysis utilising a zero-coupon curve which is representative of the market rates used for unwinding such instruments.

##### **Other assets**

The book value is a reasonable estimate of the fair value due to the short-term nature.

##### **Net loans and advances**

The fair value is estimated based on a discounted cash flow analysis utilising a zero-coupon curve which is representative of the market rates used for unwinding such instruments.

##### **Derivatives**

The fair value of interest rate swaps is estimated based on a discounted cash flow analysis utilising a credit adjusted zero coupon curve in accordance with *AASB13 Fair Value Measurement*.

##### **Deposits from councils and prescribed local government bodies**

The fair value is estimated using discounted cash flow analysis based on current market rates for deposits having substantially the same terms and conditions.

##### **Borrowings**

The fair value is estimated using discounted cash flow analysis based on current market rates for borrowings having substantially the same terms and conditions.

##### **Other liabilities**

The book value is a reasonable estimate of the fair value due to the short-term nature.

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

		2025		2024	
		Book value \$'000	Fair value \$'000	Book value \$'000	Fair value \$'000
<b>Financial assets</b>	<b>Category</b>				
Cash and cash equivalents	Amortised cost	2	2	176,568	176,568
Investment securities	Amortised cost	35,632	35,784	5,116	5,148
Other assets	Amortised cost	72	72	95	95
Net loans and advances	Amortised cost	960,317	978,007	888,307	905,133
Derivatives	FVTPL	12,017	12,017	23,056	23,056
<b>Financial liabilities</b>	<b>Category</b>				
Deposits from councils and local government bodies	Amortised cost	501,391	502,039	602,108	602,195
Borrowings	Amortised cost	424,125	424,223	412,397	411,819
Other liabilities	Amortised cost	326	326	325	325

### Fair value hierarchy

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – fair values that reflect unadjusted quoted prices in an active market for identical assets/liabilities.

Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted price).

Level 3 – fair values that are derived from data not observable in a market.

All financial assets and liabilities are classified as level 2.

During 2025 and 2024 there were no transfers of assets between fair value hierarchy levels and no changes in valuation techniques.

## 9.2. Financial instruments

### Classification of financial instruments

Management determines the classification of financial instruments at initial recognition and at each reporting date in accordance with *AASB 9 Financial Instruments*.

AASB 9 requires measurement of financial assets at either amortised cost or fair value through profit and loss (FVTPL) depending on the Authority's business model for managing the financial assets and the contractual cash flow characteristics.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- (i) The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Authority has determined the following classifications for financial instruments:

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

### Classification of financial assets

**Financial assets at amortised cost** – Cash and cash equivalents, investment securities, loans and advances and other assets are measured at amortised cost.

**Fair value through profit and loss** - Derivative financial instruments are measured at fair value with changes in the fair value taken to the statement of comprehensive income.

### Classification of financial liabilities

**Financial liabilities at amortised cost** – Deposits from councils and local government bodies, borrowings and other liabilities are measured at amortised cost.

**Fair value through profit and loss** - Derivative financial instruments are measured at fair value with changes in the fair value taken to the statement of comprehensive income.

### 9.3. Risk management policies and procedures

The Treasurer issued a revised consent dated 27 May 2024, for the Authority to enter into a range of financial instruments as part of its normal operations of providing borrowing and investment services to local government in South Australia and for managing the associated risks.

All financial instrument transactions and internal control activities are conducted within a board approved risk policy document. A treasury management system is in place which provides comprehensive accounting and reporting of financial instrument transactions which in turn allows for compliance with the risk policy to be monitored closely.

The risk management process is subject to regular and close senior management scrutiny, including regular board and other management reporting. An asset and liability committee (ALCO) has been appointed to direct and monitor risk management operations in accordance with the risk policy and is accountable to the board.

#### a) Market risk

Market risk for the Authority is primarily through interest rate risk. There is no exposure to foreign currency risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to interest rate risk arises where mismatches occur between the maturities of financial assets and financial liabilities. In order to mitigate this risk, the Authority has entered into interest rate swap contracts to hedge actual financial transactions.

#### (i) Fair value sensitivity analysis for fixed rate instruments

The Authority had a number of fair value hedges in place at the reporting date. As the hedging instrument and hedged items have matching fixed rate positions which directly offset each other there would be no material effect on profit or loss if interest rates change.

#### (ii) Sensitivity analysis for variable rate instruments

It is estimated that a change of 50 basis points applied to the risk exposures in existence at the reporting date would have increased/(decreased) profit for the reporting period by the amounts shown in the following table.

## LOCAL GOVERNMENT FINANCE AUTHORITY OF SOUTH AUSTRALIA

For the purpose of this analysis variable rate instruments include all variable rate interest bearing financial instruments which are due to be repriced within 90 days of the reporting date.

	Principal balance 30/06/25 \$'000	+0.5% \$'000	-0.5% \$'000	Principal balance 30/06/24 \$'000	+0.5% \$'000	-0.5% \$'000
<b>Variable rate financial assets</b>						
Cash and cash equivalents	2	-		176,568	883	(883)
Investment securities	10,000	50	(50)	-	-	-
Loans and advances	580,527	2,903	(2,903)	502,016	2,510	(2,510)
<b>Variable rate financial liabilities</b>						
Council deposits	373,654	(1,868)	1,868	493,456	(2,467)	2,467
Short term money market facility	408,634	(2,043)	2,043	389,376	(1,947)	1,947
<b>Variable rate derivatives</b>						
Interest rate swaps (notional principal)	350,032	1,750	(1,750)	362,714	1,814	(1,814)
<b>Profit/(loss) interest rate sensitivity</b>		<b>792</b>	<b>(792)</b>		<b>793</b>	<b>(793)</b>

### b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority's exposure to credit risk arises from the potential default by counterparties with whom financial assets are held.

### Credit Limits

Included in the Authority's risk policy document is a credit risk limits policy which stipulates counterparty credit limits as follows:

#### (i) Investments and derivatives

Individual counterparties are assessed based on Standard & Poor's credit ratings and a limit applied based on that rating. Specific approvals are given for counterparties that are outside of this criterion. Regular reporting of investment and derivative credit exposures are provided to the board and management.

#### (ii) Loans and advances

LGFA reviews borrowing council's financial information in line with the statutory requirement of councils to report on a yearly basis. LGFA has a credit risk rating process that has been developed with an approach utilising current banking and rating based methodologies to ensure we act in accordance with proper principles of financial management. This process currently focuses on the financial performance and the debt profile of borrowing councils.

Based on a number of financial metrics the LGFA has a credit risk scorecard to apply the financial information to the LGFA credit methodology to determine an internal credit risk rating for each borrowing council. These ratings are reviewed by the board annually.

The Authority has not incurred any bad debts on loans since its inception in 1984. Credit risk is considered minimal as the majority of loan agreements are secured by debentures providing a charge over the council's general revenue.

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### Measurement and recognition of expected credit losses (ECL)

Expected credit losses are a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument.

The measurement of expected credit losses is a function of the probability of default, loss given default (ie. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described below.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Authority in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at the original interest rate.

LGFA incorporates forward-looking information in assessing whether the credit risk of loans in our loan portfolio has increased significantly since initial recognition and for the measurement of the Expected Credit Loss allowance. Forward looking information reviewed by LGFA includes current and potential global events, economic forecasts and factors impacting on the financial sustainability of councils.

LGFA considers three forward looking economic scenarios as follows:

1. Stable (base case) – median scenario assigned a 40% probability of occurring
2. Downside – less likely scenario assigned a 50% probability of occurring
3. Upside – least likely scenario assigned a 10% probability of occurring

The Authority recognises an impairment gain or loss in profit or loss for investment securities and loans with a corresponding adjustment to their carrying amount through a loss allowance account. Where a financial asset has become credit impaired then interest will be recognised by applying the effective interest rate to the amortised cost of the asset.

The Authority's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Stage 1 Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 month ECL
Stage 2 Under-performing	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit impaired
Stage 3 Non-performing (impaired)	Amount is >90 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL – credit impaired
Stage 4 Write-off	There is evidence indicating that the borrower is in severe financial difficulty and the Authority has no realistic prospect of recovery.	Amount is written off.

### Credit Impairment

At each reporting date, LGFA assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on estimated future cash flows of the financial asset have occurred.

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Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower;
- a breach of contract or being more than 90 days past due;
- the restructuring of a loan or advance on terms that would not be considered otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

The following table shows the movement in expected credit losses that has been recognised for the respective financial assets.

	<b>Stage 1 – 12 month ECL</b>		<b>Stage 2 – Lifetime ECL</b>	<b>Stage 3 – Lifetime ECL</b>
	<b>Investment securities \$'000</b>	<b>Loans and advances \$'000</b>	<b>Loans and advances \$'000</b>	<b>Loans and advances \$'000</b>
Balance at 30 June 2023	-	465	-	4,979
Movement for the year	1	(21)	67	15
Balance at 30 June 2024	1	444	67	4,994
Movement for the year	1	(13)	3	263
Balance at 30 June 2025	2	431	70	5257

There has not been any significant change in the gross amounts for stage 1 financial assets that has affected the estimation of the stage 1 loss allowance.

A stage 2 loss allowance has been created as at 30 June 2025 for loans which have been assessed as having had a significant increase in credit risk.

The stage 3 loss allowance for loans to the District Council of Coober Pedy which have been classified as credit impaired has remained relatively unchanged for the year ending 30 June 2025.

The stage 3 ECL has been calculated using a probability weighted ECL calculation for the recovery of the future cashflows of the loans under base case, downside and upside forward looking scenarios. The calculation has taken into account the present value of the estimated fair value of the collateral disclosed at Note 5.5(iv) and 8.2(b)(iv). The estimated fair value of the collateral used in the calculation has been determined based on management judgement, recent sales data and discussions with independent external advisors.

The following table presents an analysis of the credit quality of investment and loan assets held at amortised cost:

<b>2025</b>	<b>At Amortised Cost - 12 month ECL</b>		<b>At Amortised Cost – Lifetime ECL</b>
	<b>Investment securities \$'000</b>	<b>Loans and advances \$'000</b>	<b>Loans and advances \$'000</b>
Stage 1 Performing	35,000	951,417	-
Stage 2 Not Credit Impaired	-	-	5,338
Stage 3 Credit Impaired	-	-	7,700
Gross Carrying Amount	35,000	951,417	13,038
Loss Allowance	2	431	5,327
Net Carrying Amount	34,998	950,986	7,711

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2024	At Amortised Cost - 12 month ECL		At Amortised Cost – Lifetime ECL
	Investment securities \$'000	Loans and advances \$'000	Loans and advances \$'000
Stage 1 Performing	5,000	891,201	-
Stage 2 Not Credit Impaired	-	-	5,451
Stage 3 Credit Impaired	-	-	7,738
Gross Carrying Amount	5,000	891,201	13,189
Loss Allowance	1	444	5,061
Net Carrying Amount	4,999	890,757	8,128

### Credit Exposure Analysis

Non-derivative financial assets are shown below at face value or amortised cost and derivative financial assets are shown at their fair value plus the credit conversion factors in line with the APRA Guidelines. The Authority uses Standard and Poor's credit ratings to assess the credit quality of the counterparties it invests with. Loans to councils and local government bodies are shown as No Rating (NR) in the following analysis as they are not required to be rated in this manner.

2025	Short term rating	Long term rating			
	A-1+ \$'000	AA- \$'000	A+ \$'000	NR \$'000	Total \$'000
Investment securities	10,000	25,000	-	-	35,000
Loans and advances	-	-	-	964,455	964,455
Derivatives	-	25,400	1,100	-	26,500
<b>Total</b>	<b>10,000</b>	<b>50,400</b>	<b>1,100</b>	<b>964,455</b>	<b>1,025,955</b>

2024	Short term rating	Long term rating			
	A-1+ \$'000	AA- \$'000	A+ \$'000	NR \$'000	Total \$'000
Cash	176,568	-	-	-	176,568
Investment securities	-	5,000	-	-	5,000
Loans and advances	-	-	-	904,390	904,390
Derivatives	-	25,100	1,500	-	26,600
<b>Total</b>	<b>176,568</b>	<b>30,100</b>	<b>1,500</b>	<b>904,390</b>	<b>1,112,558</b>

The carrying amount of the Authority's derivative financial assets at FVTPL as disclosed in Note 9.1 best represents its respective maximum exposure to credit risk. The Authority holds no collateral over any of these balances.

A concentration of credit risk occurs in relation to loans and advances, as under the *Local Government Finance Authority Act, 1983*, loans and advances made are restricted to councils and local government bodies.

### c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Authority's exposure to liquidity risk arises where a mismatch of cash flows between short term financial liabilities and long term financial assets exists.



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The Authority has a State Government guarantee covering all liabilities which enables it to borrow funds as required from the financial markets at favourable rates. In order to cover seasonal shortfalls in funding the Authority has access to short term borrowing arrangements with the South Australian Government Financing Authority (SAFA).

A liquidity policy is included in the Authority's risk policy document which provides for regular management reporting in order to closely monitor the liquidity position. The risk policy requires that sufficient funds are available at all times to meet any reasonable calls on its liabilities.

The following are the remaining contractual maturities of financial liabilities, including estimated interest payments:

2025	Carrying amount \$'000	Contracted cash flows \$'000	0 - 3 months \$'000	3 - 12 months \$'000	1 - 5 years \$'000	> 5 years \$'000
<b>Non-derivative financial liabilities</b>						
Deposits from councils and local government bodies	501,391	(501,391)	(377,554)	(116,837)	(7,000)	-
Borrowings	424,125	(424,125)	(411,413)	(1,302)	(11,410)	-
<b>Derivative financial liabilities</b>						
Interest rate swaps - outflow	338,569	(64,343)	(3,141)	(15,976)	(29,367)	(15,859)
Interest rate swaps - inflow	(350,586)	77,894	4,986	16,821	36,085	20,002

2024	Carrying amount \$'000	Contracted cash flows \$'000	0 - 3 months \$'000	3 - 12 months \$'000	1 - 5 years \$'000	> 5 years \$'000
<b>Non-derivative financial liabilities</b>						
Deposits from councils and local government bodies	602,108	(602,108)	(496,393)	(92,715)	(13,000)	-
Borrowings	412,398	(412,398)	(392,139)	(12,264)	(7,995)	-
<b>Derivative financial liabilities</b>						
Interest rate swaps - outflow	63,246	(72,000)	(3,604)	(17,359)	(37,081)	(13,956)
Interest rate swaps - inflow	(86,301)	99,887	6,569	19,233	50,680	23,405

### 9.4. Fair value hedges

AASB 9 *Financial Instruments* provides an option to continue to apply the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. The Authority has chosen to continue with the AASB 139 hedge accounting requirements.

The Authority uses interest rate swaps to hedge the interest rate risk associated with fixed term/rate debenture loans and fixed term/rate cash advance debenture loans to councils and prescribed bodies. Hedge accounting is used where it has been determined that the hedge is highly effective and has been documented in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

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Sources of hedge ineffectiveness in the fair value hedge relationships include:

- the effect of the counterparty and the Authority's own credit risk on the fair value of the interest rate swap contracts which is not reflected in the fair value of the hedged item attributable to the change in interest rates; and
- differences in variable rate reset frequencies between the interest rate swap contracts and the hedged items.

No other sources of ineffectiveness emerged from these hedging relationships.

The following tables detail information required to be disclosed by *AASB 7 Financial Instruments: Disclosures* regarding the fair value hedge relationships outstanding at the end of the reporting period.

### Fair Value Hedges

Hedging instruments	Average contracted fixed interest rate		Notional principal amount		Carrying amount of the hedging instrument: assets / (liabilities)		Change in fair value used for recognising hedge ineffectiveness	
	2025 %	2024 %	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Interest rate swaps	3.158	3.084	348,782	361,004	12,017	23,056	(10,302)	(2,212)

Hedged items	Carrying amount of the hedged item: assets / (liabilities)		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item: debit/ (credit)		Line item in the statement of financial position in which the hedged item is included	Change in fair value used for recognising hedge ineffectiveness	
	2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000		2025 \$'000	2024 \$'000
Fixed rate loans	344,881	346,431	(10,192)	(21,245)	Net loans and advances	11,052	2,581

The following table details the hedge ineffectiveness arising from the fair value hedge relationships and the line item in profit or loss in which the hedge ineffectiveness is included.

Hedged items	Amount of hedge ineffectiveness recognised in profit or loss (P/L)		Line item in P/L in which hedge ineffectiveness is included
	2025 \$'000	2024 \$'000	
Fixed rate loans	751	369	Other income