

Michael District Commissioners

Financial Statements

For the year ended 31 March 2018

Michael District Commissioners

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Michael District Commissioners

Members, Officers and Advisors

Michael District Commissioners are situated at

Commissioner's Offices
Main Road
Kirk Michael
IM6 1EW

Members and officers

During the year ended 31 March 2018 and to date, the members of the Authority and their respective responsibilities were:

Andrew Walter Berry - Chairman - (2018 – 2019) Vice Chairman for (2017 – 2018)
Matthew Diehl - Vice Chairman - (2018 – 2019)
Carole Josephine Melaugh - Commissioner - Chairman for (2017 – 2018)
Michael Anthony Neary - Commissioner
Stephen Debnam - Commissioner
Kerry Ann Best - Commissioner
Jason O'Neill - Commissioner

Clerk to the Commissioners – Krystina Malcolm Hodgson

External Boards and Committees

Andrew Walter Berry - Western Civic Amenity Site
Andrew Walter Berry – Neighbourhood Policing Team
Andrew Walter Berry – Northern Parishes Refuse Collection Board
Matthew Diehl – Municipal Association
Carole Josephine Melaugh – Western Traffic Management
Michael Anthony Neary – Western Swimming Pool
Andrew Berry and Jason O'Neill - Western Housing Committee

Professional advisors

The Board's internal auditor is Alexander Elliott and the external auditor is Grant Thornton Limited.

Their registered addresses are as follows:

Alexander Elliott
Media House
Cronkbourne
Douglas
Isle of Man
IM4 4SB

Grant Thornton Limited
Exchange House
54/62 Athol Street
Douglas
IM1 1JD

Michael District Commissioners

Explanatory Foreword

Authority's objectives

The primary objectives of the Authority are:

- To provide a reliable weekly refuse Collection Service,
- To carry out property searches for land and building sales within the district,
- To set a rate for the district to adequately meet budgeted expenditure and to provide funds to cover unplanned costs that may arise from time to time including the funding of capital works and improvements
- To provide street lighting within the district
- To provide public conveniences including disabled toilet facilities

Overall financial performance and results for the year

The Income and Expenditure Account covers the day to day running costs of the Authority's services. Expenditure relating to General Services is met from Income from the General and Refuse Rate Fund.

For the year ended 31 March 2018, the overall deficit amounted to £64,315 (2017 restated: £18,360). Following adjustments to the result for the year as shown in the Statement of Movement on Reserves, the General Revenue reserve result for the year shows a deficit of £15,686 (2017: surplus £74,620). The result was as budgeted and included revenue contribution to capital spend of £41,251 for the year (2017: £28,302). As at 31 March 2018, the district has general revenue reserves of £159,658.

Significant achievements and future plans

During the financial year, the Commissioners purchased new playground equipment in three of the district playgrounds.

During the year ended 31 March 2019, we have built public disabled toilets on Main Road, Kirk Michael.

Michael District Commissioners

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs through the appointment of a Responsible Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Responsible Financial Officer's responsibilities

The Responsible Financial Officer is responsible for the preparation of the Authority's Statement of Accounts.

In preparing this Statement of Accounts, the Responsible Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;

The Responsible Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Michael District Commissioners

INDEPENDENT CHARTERED ACCOUNTANT'S REVIEW REPORT TO THE COMMISSIONERS OF MICHAEL DISTRICT COMMISSIONERS

Report on the Financial Statements

We have reviewed the accompanying financial statements of Michael District Commissioners for the year ended 31 March 2018 that comprise the Comprehensive Income and Expenditure Statement, the Statement of the Movement on Reserves, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Responsible Financial Officer's Responsibility for the Financial Statements

As explained more fully in the Statement of Responsibilities, the Responsible Financial Officer is responsible for the preparation of the Statement of Accounts, including the financial statements which give a true and fair view.

Accountant's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

Scope of the Assurance Review

A review of financial statements in accordance with ISRE 2400 (Revised) consists primarily of making inquiries of management and others within the entity involved in financial and accounting matters, applying analytical procedures, and evaluating the sufficiency and appropriateness of evidence obtained. A review also requires performance of additional procedures when the reviewer becomes aware of matters that cause the reviewer to believe the financial statements as a whole may be materially misstated.

We believe that the evidence we have obtained in our review is sufficient and appropriate to provide a basis for our conclusion.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Michael District Commissioners

INDEPENDENT CHARTERED ACCOUNTANT'S REVIEW REPORT TO THE COMMISSIONERS OF MICHAEL DISTRICT COMMISSIONERS - CONTINUED

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements have not been prepared:

- So as to give a true and fair view of the financial affairs of the authority for the year ended 31 March 2018, and comply with the requirements of any other statutory provision applicable to them, and;
- In compliance with any regulations under section 12 of the Act, and any directions under section 13, which are applicable to them.

Grant Thornton Limited

Grant Thornton Limited

Douglas, Isle of Man

Date: 31-10-2018

Michael District Commissioners

Statement on Internal Control

Introduction

Regulation 6 of the Accounts and Audit Regulations 2018 requires the Authority to conduct a review at least once a year of the effectiveness of its systems of internal control and include a statement on internal control within the Authority's statement of accounts.

This statement is made by the Michael District Commissioners to the Isle of Man Government Treasury in accordance with the requirements of the Isle of Man Government's Corporate Governance Principles and Code of Conduct ("the Code").

Responsibilities of the Board and the Responsible Finance Officer

The Board controls strategy, policy and key financial and operational matters within the Authority. In addition, it is the Board's responsibility to ensure that the work of the Responsible Finance Officer and other senior officers supports the strategy and policy approved by the Board.

The Board is responsible for implementing and maintaining systems of internal control and corporate governance which:

- ensure compliance with legislation and other regulations;
- safeguard public money, ensure that it is properly accounted for and that it is used economically, efficiently and effectively; and
- support the achievement of the strategy, policies, aims and objectives approved by the Board.

In discharging this responsibility, the Board works with senior officers to put in place arrangements for the governance of the Authority's affairs and the stewardship of resources, in accordance with the Code.

Internal control and corporate governance environment

The Authority's systems of internal control and corporate governance have been developed through an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The following are considered to be key aspects of the internal control and corporate governance environment:

- **authority's corporate governance framework**
A corporate governance framework has been developed which documents the Authority's policies and procedures in relation to community focus, performance management, internal control, risk management, delegated authority, human resources management, standards of conduct and management of Health & Safety and the environment. The framework provides a structure for documenting the legislation, regulations, policies, procedures and other internal controls which, when taken together, form the Authority's internal control and corporate governance environment.
- **board meetings**
The Board meets monthly and consists of a Chairman and 5 other Board members. The Board receive reports from the Authority's Officers on operational matters and ensure that the work of the Responsible Finance Officer and other senior officers supports the strategy and policy approved by the Board.

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Statement on Internal Control (continued)

Internal control and corporate governance environment (continued)

- comprehensive budgeting systems
- regular reviews of periodic and annual financial reports to evaluate financial performance against forecasts
- setting targets to measure financial and other performance
- the preparation of regular financial reports which indicate actual expenditure against the forecasts, and
- clearly defined capital expenditure guidelines

Review of internal control and corporate governance environment

The effectiveness of the Authority's internal control and corporate governance arrangements is continuously assessed by the work of management and the Board.

The review of the effectiveness of the system of internal financial control is informed by:

- the work of the Responsible Finance Officer within the Authority
- the work of the internal auditors as described above, and
- the external auditors in their annual audit letter and other reports.

The internal auditor concluded that there was one high risk observations in relation to general data protection regulations. In addition a number of medium risk observations were identified.

The RFO has met with the Commissioners to discuss the detailed findings of the report with a view to implementing, where practical, the key recommendations of the Internal Auditor.

Report on internal control and corporate governance environment

Attention is drawn to the fact that systems of internal control and corporate governance are designed to manage rather than eliminate the risk of failure to achieve objectives. They can therefore only provide reasonable and not absolute assurance. Accordingly, reasonable assurance is given that Authority's internal control and corporate governance arrangements are adequate and operate effectively during the period ended 31 March 2018.

Dated 31/10/2018

Michael Commissioners,

Michael District Commissioners

Comprehensive Income and Expenditure Statement

for the year ended 31 March 2018

	Gross Expenditure	Gross Income	2018 Net Expenditure	2017 Net Expenditure restated
	£	£	£	£
General services	(217,471)	8,047	(209,424)	(203,553)
Pension current service cost	(2,000)	-	(2,000)	(1,000)
Impairment of community assets	(12,864)	-	(12,864)	-
Loss on revaluation of investment property	(17,000)	-	(17,000)	-
Net cost of services	(249,335)	8,047	(241,288)	(204,553)
Interest paid			(150)	(267)
Interest income			21	47
Pension interest cost and expected return on pension assets			(1,000)	-
Net operating expenditure			(242,417)	(204,773)
Source of finance				
Income from rates				
General rates			148,602	147,794
Refuse rates			77,774	73,619
			226,376	221,413
(Deficit)/surplus on provision of services			(16,041)	16,640
Other Comprehensive Income and Expenditure				
Remeasurement of net pension liability			3,000	(35,000)
Revaluation adjustment			(51,274)	-
Net deficit for the year			(64,315)	(18,360)

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Statement of Movement on Reserves for the year ended 31 March 2018

	Notes	General revenue reserve £	Capital adjustment account £	Revaluation reserve £	Pensions reserve £
Total comprehensive income and expenditure		(64,315)			
Depreciation and impairment of fixed assets		98,144	15,922	(114,066)	-
Net charges made for retirement benefits		(8,264)	8,264	-	-
Loan fund principal repayments		(41,251)	41,251	-	-
Fixed assets financed from General Fund					
		<u>(15,686)</u>	<u>65,437</u>	<u>(114,066)</u>	<u>-</u>
Balance brought forward		175,346	75,785	238,202	(53,000)
Balance carried forward		<u>159,658</u>	<u>141,222</u>	<u>124,136</u>	<u>(53,000)</u>

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Statement of Movement on Reserves for the year ended 31 March 2017

	Notes	Glen Wyllin Campsite Reserve	General revenue reserve £	Capital adjustment account £	Revaluation reserve £	Pensions reserve £
Total comprehensive income and expenditure			(18,360)			
Depreciation and impairment of fixed assets		-	13,187	(9,932)	(3,255)	-
Net charges made for retirement benefits		-	36,000	-	-	(36,000)
Loan fund principal repayments		-	(8,147)	8,147	-	-
Fixed assets financed from General Fund		-	(28,302)	28,302	-	-
Transfer between reserves		(80,242)	80,242	-	-	-
		<u>(80,242)</u>	<u>74,620</u>	<u>26,517</u>	<u>(3,255)</u>	<u>(36,000)</u>
Balance brought forward		80,242	100,726	49,268	241,457	(17,000)
Balance carried forward		-	175,346	75,785	238,202	(53,000)

Michael District Commissioners

Balance Sheet

as at 31 March 2018

	Notes	2018 £	2017 £
Fixed assets			
Tangible fixed assets	1	306,282	363,174
Current assets			
Debtors	3	18,329	41,021
Cash at bank		127,998	139,697
		<u>146,327</u>	<u>180,718</u>
Current liabilities			
Short-term borrowing	5	6,471	8,200
Creditors	4	21,122	39,824
		<u>27,593</u>	<u>48,024</u>
Net current assets		<u>118,734</u>	<u>132,694</u>
Total assets less current liabilities		425,016	495,868
Long-term liabilities			
Liability relating to defined benefit pension scheme	15	(53,000)	(53,000)
Long-term borrowing	5	-	(6,535)
Total assets less liabilities		<u>372,016</u>	<u>436,333</u>
Financed by:			
Revaluation reserve		124,136	238,202
General revenue		159,658	175,346
Pensions reserve		(53,000)	(53,000)
Capital adjustment account		141,222	75,785
		<u>372,016</u>	<u>436,333</u>

The financial statements were approved by the Authority on 31/10/18 and were signed on their behalf by:

Michael Commissioners.

Michael District Commissioners

Cash Flow Statement

for the year ended 31 March 2018

	Notes	2018	2017
		£	£
Net (deficit)/surplus on provision of services		(64,315)	16,640
Adjustments to net surplus on provision of services for non-cash movements	10	102,131	5,739
Adjustments for items included in net surplus / (deficit) on provision of services that are investing and financing activities		129	220
Net cash flows from Operating Activities		37,945	22,599
Net cash flows from Investing Activities	11	(41,251)	(28,302)
Net cash flows from Financing Activities	12	(8,393)	(8,368)
		(49,644)	(36,670)
Net decrease in cash and cash equivalents		(11,699)	(14,071)
Cash & cash equivalents at the beginning of the reporting period		139,697	153,768
Cash & cash equivalents at the end of the reporting period		127,998	139,697

Michael District Commissioners

Statement of Accounting Policies

1. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' Section 1A ('FRS 102'), and with the Audit Act 2006 and the Accounts and Audit Regulations 2018. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain land and buildings as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102 and Accounts and Audit Regulations 2018. Refer to note 17 for an explanation of the transition.

The financial statements are presented in Sterling (£) to the nearest £.

2. Going concern

After reviewing the budget of the Authority, the board have a reasonable expectation that the Authority has adequate resources to continue in operational existence for the foreseeable future.

3. Income

Rates receivable

Rates income for the year credited to the Comprehensive Statement of Income and Expenditure is the accrued income for the year, adjusted for discounts, exempt and uninhabitable properties.

4. Accruals of income and expenditure

The accounts of the Authority are maintained on an accruals basis: activity is accounted for in the year that it takes place not simply when cash payments are made or received.

5. Value Added Tax

Value Added Tax is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

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Statement of Accounting Policies (Continued)

6. Tangible fixed assets

Tangible fixed assets have physical substance and are held by the Authority for the provision of services or for administrative purposes on a continuing basis.

(a) Recognition

Expenditure on the acquisition or creation of tangible fixed assets and subsequent expenditure that adds to, replaces part of, or services tangible fixed assets, is capitalised on an accruals basis where:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the Authority, and
- The cost can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense to the relevant service when it is incurred.

(b) Measurement (Valuation Bases)

All assets are initially measured at cost. The initial cost includes all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Borrowing costs are not capitalised.

Subsequent to initial recognition, assets are then carried on the Balance Sheet using the following measurement bases:

- Assets under construction – historic cost

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate.

For non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

(c) Revaluation

A class of assets included in the Balance Sheet at current value (fair value for Surplus assets) may be revalued on a rolling basis provided revaluation of the class of assets is completed within five years.

The valuations are undertaken with sufficient regularity to ensure that their carrying amount is not materially different from current value (fair value for Surplus assets). All valuations are undertaken by a qualified valuer, using a professional valuer contracted to the Authority.

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Statement of Accounting Policies (Continued)

6. Tangible fixed assets - continued

(c) Revaluation - continued

Short-life assets, such as vehicles and computer equipment are not revalued but are measured at depreciated historic cost as a proxy for fair value.

Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. When assets are subject to revaluation losses they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

(d) Impairment

Assets are subject to an annual impairment review at the end of each financial year for evidence of reductions in value. Where indications exist and the reduction is material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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Statement of Accounting Policies (Continued)

6. Tangible fixed assets - continued

(e) Depreciation

Depreciation is provided for on all Tangible Fixed Assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (e.g. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on a straight-line basis by allocating the cost (or re-valued amount) of the asset over the number of years that the asset is expected to be of useful benefit as follows:

Property and Dwellings) – 40 years
Streetlights – 10 years
Equipment – 7 years
Vehicles – 5 years
Leased assets – Over the period of lease

The useful life of an asset is estimated on a realistic basis and is regularly reviewed as part of the revaluation process. Where the useful life of a fixed asset is revised, depreciation is charged over the revised life of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

(f) Disposals

Income from the disposal of fixed assets is accounted for on an accruals basis. Capital receipts are held in the Usable Capital Receipts Reserve until such time as they are used to finance other capital expenditure, when they are credited to the Capital Adjustment Account.

7. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

Michael District Commissioners

Statement of Accounting Policies (Continued)

8. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

9. Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

10. Employee benefits

The authority provides a range of benefits to employees, including paid holiday arrangements and a defined benefit pension plan.

(a) Short term benefits

Short term benefits, including holiday pay, are recognised as an expense in the period in which the service is received.

(b) Defined benefit pension plan

The authority participates in the Local Government Superannuation Scheme administered by Douglas Borough Council in accordance with the Isle of Man Local Government Superannuation Scheme Regulations. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The authority and its employees pay contributions into the scheme and these contributions are calculated at a level intended to balance the pensions liabilities with investment assets. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the authority's defined benefit obligation at the end of the reporting date less the fair value of the plan assets attributable to the authority's members at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the administering authority engages independent actuaries to calculate the obligation of the authority. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy. This includes the use of appropriate valuation techniques.

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Statement of Accounting Policies (Continued)

10. Employee benefits - continued

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Comprehensive Income and Expenditure Statement. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net pension liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

11. Provisions

Provisions are made for any liability of uncertain timing where there is a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the Comprehensive Income and Expenditure Statement in the year that the obligation arises and are based on the best estimate of the amount that is likely to settle the obligation.

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Statement of Accounting Policies (Continued)

12. Reserves

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

The Authority maintains the following significant reserves:

General Revenue Reserve: set up to act as a buffer against the potential risks of increased expenditure to be charged to future years' Accounts and to assist in organisational development.

The following accounts have been established in accordance with the capital accounting provisions. They are not fully backed by cash, nor generally available to finance expenditure.

Revaluation Reserve: representing principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

Capital Adjustment Account: amounts set aside from capital receipts or revenue resources to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Pensions reserve: The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding those benefits.

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Significant Judgements and Estimates

(a) Judgements

In applying the accounting policies set out above the authority has had to make assumptions and form judgements about transactions which are complex in nature and where there is uncertainty about future events. The critical judgements made in the Statement of Accounts are as follows:

- The authority operates a rolling 5 year revaluation programme for assets held on the Balance Sheet at revalued amount. This means that not all assets are revalued formally every year. However a desktop review is undertaken of the assets that were not formally revalued during the year, taking into account factors such as changes to building cost indices since the asset's last revaluation and the impact of revaluations in year for similar assets. As a result it is judged that the potential difference in value that would result from formal revaluation is not material in the context of the overall carrying value of the assets, and therefore the risk of material misstatement to the Balance Sheet is low.
- Property, Plant and Equipment assets are judged to be held for their service potential rather than future resale value and therefore the authority does not allocate residual values to assets when calculating depreciation. This could lead to the potential overstatement of depreciation and the understatement of asset carrying values in the Balance Sheet. The calculation of depreciation, however, does not affect the amount to be collected from rate payers.
- The authority has judged that amounts held on deposit or invested for periods of less than three months are sufficiently liquid as to be classed as cash equivalents. Judgement is also required as to whether the primary purpose of holding such investments is for meeting short term cash commitments (in which case the investment is classified as a cash equivalent) or for investment return (in which case the investment remains classified as a short term investment).

(b) Estimates

The authority is required to disclose those estimates and assumptions which it has made in the preparation of its accounts for which there is the potential for a material adjustment within the next financial year.

- Pension Liability - The estimation of the net pension liability depends on a number of complex and inter-related actuarial assumptions and judgements, i.e. the rate of inflation, rate of increase in salaries, age of retirement, rate of increase in pensions, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide expert advice about the assumptions to be applied. As a result there is inevitably some uncertainty concerning the value of the net pension liability in the financial statements. Changes in the assumptions can give rise to major changes in the liability within the year and across years, i.e. actuarial gains and losses.

Michael District Commissioners

Notes to the financial statements

for the year ended 31 March 2018

1. Tangible fixed assets

	Land & Buildings £	Addition to Leased Premises £	Street Lights £	Equipment £	Total £
Cost and valuation					
At 31 March 2017	343,792	26,293	51,646	17,451	439,182
Additions	-	-	-	41,251	41,251
Revaluation	(100,792)	(26,293)	-	-	(127,085)
Cost and valuation At 31 March 2018	243,000	-	51,646	58,702	353,348
Depreciation					
As at 31 March 2017	26,016	10,776	25,246	13,970	76,008
Depreciation for year	6,504	2,651	3,038	4,812	17,005
Reversed on revaluation	(32,520)	(13,427)	-	-	(45,947)
Depreciation At 31 March 2018	-	-	28,284	18,782	47,066
Net Book Value At 31 March 2018	243,000	-	23,362	39,920	306,282
At 31 March 2017	317,776	15,517	26,400	3,481	363,174

Valuation of land and property

Valuations were carried out by Chrystals Commercial, Chartered Surveyors of Douglas Isle of Man, the Authority's external valuer, as at 31 March 2018. The basis for valuation is set out in the Statement of Accounting Policies. The Authority plans to revalue its fixed assets every five years.

The basis for valuation is set out in the statement of accounting policies.

Historical cost of revalued fixed assets

Included within the above are assets with a historical cost as follows:

Land and buildings - £122,266.

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Notes to the financial statements for the year ended 31 March 2018

2. Assets held

Operational assets	Number at 31 March 2017	Changes In year	Number at 31 March 2018
Car parks	2	-	2
Public conveniences	2	-	2
Public halls/offices	1	-	1
Recreational properties	3	-	3
Infrastructure Assets			
Park and open spaces	1	-	1
Streetlights	157	-	157

3. Debtors

	2018 £	2017 £
Government departments	4,349	4,656
Ratepayers	3,849	3,712
Value added tax	1,146	2,744
Sundry debtors	8,985	29,909
	<u>18,329</u>	<u>41,021</u>

Debtor balances are shown net of provisions for bad or doubtful debts as follows:

	2018 £	2017 £
Ratepayers	<u>5,309</u>	<u>3,656</u>

Michael District Commissioners

Notes to the financial statements (Continued) for the year ended 31 March 2018

4. Creditors

	2018	2017
	£	£
Sundry creditors and accruals	19,278	28,017
Trade creditors	1,844	11,807
	<u>21,122</u>	<u>39,824</u>

5. Borrowings

Loans outstanding may be analysed as follows:

	2018	2017
	£	£
<i>Falling due within one year:</i>		
Commercial loans	<u>6,471</u>	<u>8,200</u>
<i>Falling due after more than one year:</i>		
Commercial loans	<u>-</u>	<u>6,535</u>

The Isle of Man Bank loan is unsecured and repayable by 30 April 2023 with interest charged on the loan at a variable rate of 1.25% above base rate.

The Isle of Man bank loan has been sanctioned by both Treasury and the Department of Infrastructure and is secured by way of a letter of comfort issued by Treasury.

Michael District Commissioners

Notes to the financial statements (Continued) for the year ended 31 March 2018

6. General Rate Account

	2018		2017
	£	£	£
General rates levied for the year	155,040		154,117
<i>Add:</i>			
Due from Treasury re prior year	2,943	2,568	
Arrears brought forward	4,738	3,932	6,500
	<u>162,721</u>		<u>160,617</u>
<i>Less:</i>			
Discounts	(5,218)	(5,063)	
Exempt and uninhabitable properties	(1,220)	(1,260)	
Collection charges	(1,870)	(1,824)	
	<u>(8,308)</u>	<u>(8,147)</u>	
Irrecoverable amounts and re-rating adjustments	67		92
	<u>154,480</u>		<u>152,562</u>
<i>Rates received in the year:</i>			
Current year rates	141,542	140,634	
Arrears collected	1,407	1,679	
Balance from Treasury re prior year	2,943	2,568	
Total rates received in the year	<u>145,892</u>	<u>144,881</u>	
Balances outstanding carried forward:			
Due from Treasury re current year	2,755	2,943	
Arrears – current year	2,435	2,392	
– previous years	3,398	2,346	
	<u>8,588</u>	<u>7,681</u>	
	<u>154,480</u>		<u>152,562</u>
		2018	2017
		£	£
General rates levied for the year		155,040	154,117
Less: Discounts, exempt/uninhabitable properties & refunds		(6,438)	(6,323)
Per Comprehensive Income and Expenditure Statement		<u>148,602</u>	<u>147,794</u>

Michael District Commissioners

Notes to the financial statements (Continued) for the year ended 31 March 2018

7. Refuse Rate Account

	£	2018 £	£	2017 £
Refuse rates levied for the year		80,955		76,604
<i>Add:</i>				
Due from Treasury re prior year	1,713		1,717	
Arrears brought forward	2,630	4,343	2,178	3,895
		<u>85,298</u>		<u>80,499</u>
<i>Less:</i>				
Discounts	(2,637)		(2,451)	
Exempt and uninhabitable properties	(545)		(534)	
Collection charges	(977)	(4,159)	(905)	(3,890)
Irrecoverable amounts and re-rating adjustments		34		54
		<u>81,173</u>		<u>76,663</u>
<i>Rates received in the year:</i>				
Current year rates	73,789		69,682	
Arrears collected	753		921	
Balance from Treasury re prior year	1,713		1,717	
Total rates received in the year	<u>76,255</u>	76,255	<u>72,320</u>	72,320
<i>Balances outstanding carried forward:</i>				
Due from Treasury re current year	1,593		1,713	
Arrears – current year	1,414		1,320	
– previous years	1,911	4,918	1,310	4,343
		<u>81,173</u>		<u>76,663</u>
		<u>81,173</u>		<u>76,663</u>
			2018	2017
			£	£
Refuse rates levied for the year		80,955	80,955	76,604
Less: Discounts, exempt/uninhabitable properties & refunds		(3,181)	(3,181)	(2,985)
Per Comprehensive Income and Expenditure Statement		<u>77,774</u>	<u>77,774</u>	<u>73,619</u>

Michael District Commissioners

Notes to the financial statements (Continued)

for the year ended 31 March 2018

8. Employee remuneration

During the year, there were no employees whose remuneration, excluding pension contributions, was £50,000.

Key management compensation

Key management personnel compensation paid amounted to £23,137 including employers pension contributions (2017: £23,124).

Members' allowances

During the year the Authority paid £1,784 to its Members in respect of their attendance at meetings, undertaking duties and responsibilities (2017: £1,834).

9. Related party transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government - has a direct influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates. It also provides funding in the form of grants and prescribes the terms of many transactions that the Commissioners has with other parties ie housing rents.

All Commissioners and officers of the Authority are asked to complete a disclosure statement in respect of themselves and their family members/close relatives, detailing any material transactions with related parties.

Related party transactions and balances with the above parties are disclosed within the relevant notes to the financial statements.

During the period, the Authority paid £29,969 (2017: £26,959) to Western Civic Amenity Site and also paid £2,840 (2017: £2,832) to Western Swimming Pool Board.

The Authority also paid £80,955 (2017: £76,604) in respect of refuse collection costs to Northern Parishes Refuse Board. An amount of £11,201 was due to Northern Parishes Refuse Board (2017: £958 due from Northern Parishes Refuse Board).

The Authority also paid £135,787 (2017: £128,654) to the Isle of Man Government in respect of energy from waste.

No related party disclosures arose in relation to officers.

Michael District Commissioners

Notes to the financial statements (Continued) for the year ended 31 March 2018

10. Cash flow statement – Operating activities

The following table provides a breakdown of the main elements within the adjustment for the non-cash movements figure shown in the cash flow statement:

	2018	2017
	£	£
Depreciation, impairment & revaluation losses for non-current assets	98,144	13,187
Increase/(decrease) in creditors	1,285	18,411
Decrease/(increase) in debtors	2,702	(26,859)
Difference between FRS102 pension cost and contributions paid	-	1,000
	<u>102,131</u>	<u>5,739</u>

11. Cash flow statement – Investing activities

	2018	2017
	£	£
Purchase of assets (Fixed assets, investment property, intangible assets)	(41,251)	(28,302)
	<u>(41,251)</u>	<u>(28,302)</u>

12. Cash flow statement – Financing activities

	2018	2017
	£	£
Repayments of short-term and long-term borrowing	(8,264)	(8,148)
Loan interest paid	(150)	(267)
Loan interest received	21	47
	<u>(8,393)</u>	<u>(8,368)</u>

13. Independent examination fees

During 2017/18 the Authority incurred the following fees relating to independent examination:

	2017/18	2016/17
	£	£
Fees payable with regard to assurance review services	<u>2,025</u>	<u>1,940</u>

14. Total rateable value

The total rateable value of the District at 31 March 2018 is £114,449 (2017: £113,610) with a 136p rate being charged (2017:136p). Refuse rates were levied at 50p in the £ (2017: 47p) on a rateable value of £107,519 (2017: £106,680).

Michael District Commissioners

Notes to the financial statements (Continued) for the year ended 31 March 2018

15. Post employment benefits

The authority operates a defined benefit pension scheme with assets held in a separately administered fund. The scheme provides retirement benefits on the basis of members' final salary. The plan is administered by Douglas Borough Council as the Administering Authority. The authority has committed to a funding plan with the Administering Authority, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed with the Administering Authority to reduce the funding deficit where necessary.

A comprehensive actuarial valuation of the Local Government Superannuation Scheme, using the projected unit credit method, was carried out at 31 March 2018 by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	31 March 2018
Rate of increase in salaries	3.2%
Rate of increase in pensions	2.4%
Rate for discounting scheme liabilities	2.7%

The assets in the Isle of Man Local Government Superannuation Scheme are valued at fair value, principally market value for investments, and the asset categories are shown in the Isle of Man Local Government Superannuation Scheme Accounts.

The mortality assumptions used were as follows:

	31 March 2018
	Years
Longevity at the age of 65 for current pensioners	
• Men	21.7
• Women	24.3
Longevity at the age of 65 for future pensioners	
• Men	24.1
• Women	27.1

The local Authority's share of the fair value of plan assets was:

	2018	2017
	%	%
Equity instruments	60	57
Bonds	28	26
Property	12	13
Cash	-	4
	<hr/>	<hr/>
Total	100	100
	<hr/> <hr/>	<hr/> <hr/>

Michael District Commissioners

Notes to the financial statements (Continued) for the year ended 31 March 2018

15. Post employment benefits - continued

Reconciliation of scheme assets and liabilities:

	Assets £	Liabilities £	Total £
At 1 April 2017	96,000	149,000	(53,000)
Benefits paid	-	-	-
Plan participants contributions	1,000	1,000	-
Employer contributions	4,000	-	4,000
Current service cost	-	6,000	(6,000)
Interest income/(expense)	3,000	4,000	(1,000)
Remeasurement gains/(losses)			
• Actuarial gains	-	(4,000)	4,000
• Return on plan assets excluding interest income	(1,000)	-	(1,000)
At 31 March 2018	<u>103,000</u>	<u>156,000</u>	<u>(53,000)</u>

Total cost recognised as an expense:

	2018 £	2017 £
Current service cost	6,000	5,000
Interest cost	4,000	2,000
	<u>10,000</u>	<u>7,000</u>
	2018 £	2017 £
Interest income	3,000	2,000
Return on plan assets less interest income	(1,000)	49,000
Total return on plan assets	<u>2,000</u>	<u>51,000</u>

Michael District Commissioners

Notes to the financial statements (Continued)

16. Capital commitments

There were no commitments for capital expenditure that had started, or legal contracts entered into as at 31 March 2017 or 2018.

17. FRS 102 Transition

This is the first year that the Authority has presented its results under FRS 102. The last financial statements under the SORP were for the year ended 31 March 2017. The date of transition to FRS 102 was 1 April 2016. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2017 and the total equity as at 1 April 2016 and 31 March 2017 between the SORP as previously reported and FRS 102.

Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the Comprehensive Income and Expenditure Statement as the employee service is received. Previously holiday pay accruals were not recognised and were charged as they were paid. In the year to 31 March 2017 and 2018 no additional charge of was recognised as the accrual was immaterial.

Defined benefit scheme

Under previous UK GAAP the Authority recognised an expected return on defined benefit plan assets in the Comprehensive Income and Expenditure Statement. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the Comprehensive Income and Expenditure Statement. There has been no change in the defined benefit liability at either 1 April 2016 or 31 March 2017. There has been no effect to the Net cost of Interest in the year to 31 March 2017.

Michael District Commissioners

Detailed Income and Expenditure Account For the year ended 31 March 2018

	2018	2017
	£	£
Income		
Property search fees	4,050	3,640
Hall rental	750	-
Miscellaneous income	3,147	296
Garden Rental	100	400
	<u>8,047</u>	<u>4,336</u>
Expenditure		
Accountancy fees	3,683	2,480
Amenity areas maintenance	7,088	5,545
Assurance fees / Audit fees	1,975	2,290
Bad debts written off		
General rates	(67)	(93)
Refuse rates	(34)	(54)
Bank charges	331	356
Cleaning & public conveniences	3,570	3,414
Community events	2,966	-
Depreciation	17,005	13,187
Election expenses	-	81
Employers NI	1,149	1,201
Insurance	3,810	3,686
Internal audit fee	1,800	-
Legal & actuarial fees	967	685
Office expenses	5,023	5,723
Litter, dog bins & by-law duties	8,006	7,819
Meeting attendance allowances	1,784	1,834
Miscellaneous expenses	1,395	5,448
Photocopier maintenance	-	371
Provision for bad debts -- (release)/charge		
General rates	1,052	733
Refuse rates	601	444
Rates	796	491
Rate collection charges	2,847	2,729
Refuse collection costs		
Net collections by IOM Treasury	76,071	72,300
Shortfall met out of General Rates Revenue	4,884	4,304
Repairs and renewals	4,222	9,305
Salary and wages	23,137	23,124
Speed signs maintenance	-	160
Street lighting	10,601	10,535
Western Civic Amenity Site Board – contribution	29,969	26,959
Western Local Authorities Swimming Pool Board - contribution	2,840	2,832
Total Expenditure	<u>217,471</u>	<u>207,889</u>
Net expenditure from services	<u>(209,424)</u>	<u>(203,553)</u>

This page does not form part of the reviewed financial statements