

# **Michael District Commissioners**

## **Financial Statements**

**For the year ended 31 March 2020**

# Michael District Commissioners

<i>Contents</i>	<i>Page</i>
Members, Officers and Advisors	3
Explanatory Foreword	4
Statement of Responsibilities for the Statement of Accounts	5
Independent Chartered Accountant's Review Report	6 - 7
Statement on Internal Control	8 - 9
Comprehensive Income and Expenditure Statement	10
Statement of Movement on Reserves	11 - 12
Balance Sheet	13
Cash Flow Statement	14
Statement of Accounting Policies	15 - 21
Significant Estimates and Judgements	22
Notes to the financial statements	23 - 30
The following pages do not form part of the reviewed financial statements	
Detailed Income and Expenditure Account	31

# 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 2020 and to date, the members of the Authority and their respective responsibilities were:

Matthew Diehl - Chairman - (2019 – 2020 & 2020-2021) - Vice Chairman (2018 - 2019)  
Kerry Ann Best – Vice-Chairman – 2020-2021  
Stephen Shaw (Debnam) - Vice Chairman - (2019 – 2020) (Resigned June 2020)  
Andrew Walter Berry - Commissioner  
Michael Anthony Neary - Commissioner  
Jason O'Neill – Commissioner (Resigned November 2019)  
Carole Josephine Lilywhite - Commissioner (Resigned June 2020)

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  
Michael Anthony Neary – Western Swimming Pool  
Andrew Walter Berry - Western Housing Committee

### Professional advisors

The Board's internal auditor is Alexander Elliott and the external reviewer is Crowe Isle of Man LLC.

Their registered addresses are as follows:

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

Crowe Isle of Man LLC  
Victory House  
Prospect Hill  
Douglas  
Isle of Man  
IM1 1EQ

# 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 2020, the overall surplus amounted to £37,484 (2019: £20,422). 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 £5,988 (2018: deficit £24,735). The result was as budgeted and included revenue contribution to capital spend of £27,341 for the year (2019: £51,135). As at 31 March 2020, the district has general revenue reserves of £128,935 (2019: £134,923).

### Significant achievements and future plans

During the year ended 31 March 2020, we have replaced and added more Playground Equipment to the Main Road (Crowes Field) play area with a new gate onto the road for safety.

We have also added more dog bins and doggy bag dispensers.

We have re-surfaced the two car parks that the Commissioners own at Main Road and Mull View.

We have ordered 4 new picnic benches, 3 for the old railway line and 1 for the Main Road (Crowes Field) Playground

We plan to upgrade any street lights that may need to be upgraded as a survey has just been conducted on them all.

We plan to add another piece of play equipment for Broogh Wyllin this year and are still looking at re-pointing the building after the new Road design is completed in October/November.

# 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; and
- 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; and
- made judgements and estimates that were reasonable and prudent.

The Responsible Financial Officer has also:

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

# Michael District Commissioners

## **Independent Chartered Accountants' Assurance Review Report to The Members of Michael District Commissioners**

We have reviewed the statement of accounts of Michael District Commissioners for the year ended 31 March 2020 which comprise the comprehensive income and expenditure statement, the statement of movement on reserves, the balance sheet, the cash flow statement 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 statement of accounts**

As explained more fully in the Responsible Financial Officer's Responsibilities Statement set out on page 5, the Responsible Financial Officer is responsible for the preparation of the statement of accounts and for being satisfied that they give a true and fair view.

### **Accountants' responsibility**

Our responsibility is to express a conclusion on the statement of accounts. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to review historical financial statements and ICAEW Technical Release TECH 09/13AAF (Revised) Assurance review engagements on 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 United Kingdom Generally Accepted Accounting Practice. ISRE 2400 (Revised) also requires us to comply with the ICAEW Code of Ethics and the FRC's Ethical Standard, as applicable.

### **Scope of the assurance review**

A review of statement of accounts in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We have performed additional procedures to those required under a compilation engagement. These primarily consist of making enquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (UK). Accordingly, we do not express an audit opinion on these statement of accounts.

### **Conclusion**

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

- so as to give a true and fair view of the state of the authority's affairs as at 31 March 2020, and of its results for the year then ended; .
- in accordance with any regulations under Section 12 and any directions, as applicable, under Section 13 of the Audit Act 2006;
- in accordance with any other statutory provisions applicable to them.

# Michael District Commissioners

## Independent Chartered Accountants' Assurance Review Report to The Members of Michael District Commissioners - continued

### Use of our report

This report is made solely to the authority's members, as a body, in accordance with the terms of our engagement letter dated 17 June 2020. Our review has been undertaken so that we may state to the authority's members those matters we have agreed with them in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members, as a body for our work, for this report or the conclusions we have formed.

Crowe Isle of Man LLC

**Crowe Isle of Man LLC**  
**Chartered Accountants**

6th Floor, Victory House  
Prospect Hill  
Douglas  
Isle of Man  
IM1 1EQ

Date 17<sup>th</sup> December 2020

# 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.



# Michael District Commissioners

## 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 reviewers in their annual letter and other reports.

The internal auditor concluded that there were no high risk observations although 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 2020.

(Signed) MIJ (Chairman)

(Signed) R.H.T. (Responsible Finance Officer)

Dated 10/12/2020

# Michael District Commissioners

## Comprehensive Income and Expenditure Statement

for the year ended 31 March 2020

	Notes	Gross Expenditure £	Gross Income £	2020 Net Expenditure £	2019 Net Expenditure £
General services		250,373	5,565	(244,808)	(219,016)
Pension current service cost		1,000	-	(1,000)	(1,000)
Net cost of services		251,373	5,565	(245,808)	(220,016)
Interest paid				-	(51)
Interest income				162	99
Profit on disposal of asset				1,934	-
Pension interest cost and expected return on pension assets				(1,000)	(1,000)
Net operating expenditure				(244,712)	(220,968)
Source of finance					
Income from rates					
General rates	6			153,082	152,586
Refuse rates	7			98,114	86,804
				251,196	239,390
Surplus on provision of services				6,484	18,422
<b>Other Comprehensive Income and Expenditure</b>					
Remeasurement of net pension liability				31,000	2,000
Revaluation adjustment					-
Net surplus for the year				37,484	20,422

# Michael District Commissioners

## Statement of Movement on Reserves for the year ended 31 March 2020

	Notes	General revenue reserve £	Capital adjustment account £	Revaluation reserve £	Pensions reserve £
<b>Total comprehensive income and expenditure</b>		<b>6,484</b>	<b>-</b>	<b>-</b>	<b>31,000</b>
Depreciation and impairment of fixed assets		14,803	(13,406)	(1,397)	-
Net charges made for retirement benefits		2,000	-	-	(2,000)
Profit on disposal of assets		(1,934)	1,934	-	-
Fixed assets financed from General Fund		(27,341)	27,341	-	-
		<b>(5,988)</b>	<b>15,869</b>	<b>(1,397)</b>	<b>29,000</b>
Balance brought forward		134,923	187,776	122,739	(53,000)
<b>Balance carried forward</b>		<b>128,935</b>	<b>230,457</b>	<b>121,342</b>	<b>(24,000)</b>

# Michael District Commissioners

## Statement of Movement on Reserves for the year ended 31 March 2019

	Notes	General revenue reserve £	Capital adjustment account £	Revaluation reserve £	Pensions reserve £
<b>Total comprehensive income and expenditure</b>		18,422	-	-	2,000
Depreciation and impairment of fixed assets		12,500	(11,103)	(1,397)	-
Net charges made for retirement benefits		2,000	-	-	(2,000)
Loan fund principal repayments		(6,522)	6,522	-	-
Fixed assets financed from General Fund		(51,135)	51,135	-	-
		(24,735)	46,554	(1,397)	-
Balance brought forward		159,658	141,222	124,136	(53,000)
<b>Balance carried forward</b>		<b>134,923</b>	<b>187,776</b>	<b>122,739</b>	<b>(53,000)</b>

# Michael District Commissioners

## Balance Sheet

as at 31 March 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible fixed assets	1	357,388	344,917
Current assets			
Debtors	3	32,528	25,592
Cash at bank		84,568	104,546
		<u>117,096</u>	<u>130,138</u>
Current liabilities			
Creditors	4	20,562	29,617
		<u>20,562</u>	<u>29,617</u>
Net current assets		<u>96,534</u>	<u>100,521</u>
Total assets less current liabilities		453,922	445,438
Long-term liabilities			
Liability relating to defined benefit pension scheme	14	(24,000)	(53,000)
Total assets less liabilities		<u>429,922</u>	<u>392,438</u>
Financed by:			
Revaluation reserve		121,342	122,739
General revenue		128,935	134,923
Pensions reserve		(24,000)	(53,000)
Capital adjustment account		203,645	187,776
		<u>429,922</u>	<u>392,438</u>

The financial statements were approved by the Authority on 10/12/2020 and were signed on their behalf by:

Chairman MD.

RFO KAH.

# Michael District Commissioners

## Cash Flow Statement

for the year ended 31 March 2020

	Notes	2020	2019
		£	£
Net surplus on provision of services		<b>6,484</b>	18,422
Adjustments to net surplus on provision of services for non-cash movements	9	<b>(1,122)</b>	15,732
Adjustments for items included in net surplus on provision of services that are investing and financing activities		<b>(162)</b>	(48)
Net cash flows from Operating Activities		<b>5,200</b>	34,106
Net cash flows from Investing Activities	10	<b>(25,340)</b>	(51,135)
Net cash flows from Financing Activities	11	<b>162</b>	(6,423)
		<b>(25,178)</b>	(57,558)
Net decrease in cash and cash equivalents		<b>(19,978)</b>	(23,452)
Cash & cash equivalents at the beginning of the reporting period		<b>104,546</b>	127,998
Cash & cash equivalents at the end of the reporting period		<b>84,568</b>	104,546

# 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.

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

### **2. Going concern**

On 11 March 2020 the World Health Organisation declared the COVID-19 outbreak a World pandemic. Owing to this, the Northern Swimming Pool was closed for a period post year end which affected income and cash. However, reviewing the budget, the Board have a reasonable expectation that it has adequate resources including the continuation of support from the member local authorities and Central Government, to continue in operational existence for the foreseeable future. The financial statements therefore continue to be prepared on a going concern basis.

### **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.

#### **Other income**

Other income is credited to the Comprehensive Statement of Income and Expenditure on a receivable basis.

### **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.

# Michael District Commissioners

## 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:

- Infrastructure Assets - historic cost.
- Plant and equipment - historic cost.
- Assets under construction – historic cost.
- Land and buildings are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

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.



# Michael District Commissioners

## 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.

# Michael District Commissioners

## 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:

Land – Not depreciated  
Property and Dwellings – 40 years  
Street Lights – 10 years  
Equipment – 7 years  
Vehicles – 5 years

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.

# Michael District Commissioners

## 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.

# Michael District Commissioners

## 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.

# Michael District Commissioners

## 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 2020

### 1. Tangible fixed assets

	<b>Land &amp; Buildings</b>	<b>Street Lights</b>	<b>Equipment</b>	<b>Total</b>
	£	£	£	£
<b>Cost and valuation</b>				
At 31 March 2019	289,018	56,763	58,702	404,483
Additions	15,884	-	11,456	27,340
Disposals	-	-	(1,855)	(1,855)
<b>Cost and valuation At 31 March 2020</b>	<b>304,902</b>	<b>56,763</b>	<b>68,303</b>	<b>429,968</b>
<b>Depreciation</b>				
As at 31 March 2019	4,650	31,322	23,594	59,566
Depreciation for year	4,670	4,061	6,072	14,803
Disposals	-	-	(1,789)	(1,789)
<b>Depreciation At 31 March 2020</b>	<b>9,320</b>	<b>35,383</b>	<b>27,877</b>	<b>72,580</b>
<b>Net Book Value At 31 March 2020</b>	<b>295,582</b>	<b>21,380</b>	<b>40,426</b>	<b>357,388</b>
At 31 March 2019	284,368	25,441	35,108	344,917

### 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.

### Historical cost of revalued fixed assets

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

Land and buildings - £184,167.

# Michael District Commissioners

## Notes to the financial statements for the year ended 31 March 2020

### 2. Assets held

Operational assets	Number at 31 March 2019	Changes In year	Number at 31 March 2020
Car parks	2	-	2
Public conveniences	2	-	2
Public halls/offices	1	-	1
Recreational properties	3	-	3
<b>Infrastructure Assets</b>			
Park and open spaces	1	-	1
Streetlights	157	-	157

### 3. Debtors

	2020 £	2019 £
Government departments	9,642	4,838
Ratepayers	7,461	8,957
Value added tax	3,025	1,760
Sundry debtors	12,400	10,037
	<u>32,528</u>	<u>25,592</u>

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

	2020 £	2019 £
Ratepayers	<u>8,673</u>	<u>6,985</u>

### 4. Creditors

	2020 £	2019 £
Sundry creditors and accruals	17,419	27,721
Trade creditors	3,143	1,896
	<u>20,562</u>	<u>29,617</u>



# Michael District Commissioners

## Notes to the financial statements (Continued) for the year ended 31 March 2020

### 5. General Rate Account

	£	2020 £	£	2019 £
General rates levied for the year		159,597		158,750
<i>Add:</i>				
Due from Treasury re prior year	3,117		2,755	
Arrears brought forward	10,151	13,268	5,833	8,588
		<u>172,865</u>		<u>167,338</u>
<i>Less:</i>				
Discounts	(5,069)		(4,948)	
Exempt and uninhabitable properties	(1,446)		(1,217)	
Collection charges	(1,904)	(8,419)	(1,866)	(8,031)
		<u>166</u>		<u>88</u>
Irrecoverable amounts and re-rating adjustments				
Total rates collectable		<u><u>164,612</u></u>		<u><u>159,395</u></u>
<i>Rates received in the year:</i>				
Current year rates	140,633		141,875	
Arrears collected	4,943		1,497	
Balance from Treasury re prior year	3,117		2,755	
Total rates received in the year	<u>148,693</u>	148,693	<u>146,127</u>	146,127
Balances outstanding carried forward:				
Due from Treasury re current year	6,204		3,117	
Arrears – current year	4,341		5,727	
– previous years	5,374	15,919	4,424	13,268
		<u>164,612</u>		<u>159,395</u>
		<u><u>164,612</u></u>		<u><u>159,395</u></u>
			2020	2019
			£	£
General rates levied for the year			159,596	158,750
Less: Discounts, exempt/uninhabitable properties & refunds			(6,514)	(6,164)
Per Comprehensive Income and Expenditure Statement			<u><u>153,082</u></u>	<u><u>152,586</u></u>

# Michael District Commissioners

## Notes to the financial statements (Continued) for the year ended 31 March 2020

### 6. Refuse Rate Account

	2020		2019
	£	£	£
Refuse rates levied for the year	<b>102,086</b>		90,112
<i>Add:</i>			
Due from Treasury re prior year	1,722	1,593	
Arrears brought forward	5,791	3,325	4,918
	<u>109,599</u>		<u>95,030</u>
<i>Less:</i>			
Discounts	(3,139)	(2,716)	
Exempt and uninhabitable properties	(833)	(593)	
Collection charges	(1,209)	(1,061)	
	<u>(5,181)</u>	<u>(4,370)</u>	
Irrecoverable amounts and re-rating adjustments	86		45
	<u>104,504</u>		<u>90,705</u>
<i>Rates received in the year:</i>			
Current year rates	90,346	80,790	
Arrears collected	2,579	809	
Balance from Treasury re prior year	1,722	1,593	
Total rates received in the year	<u>94,647</u>	<u>83,192</u>	
Balances outstanding carried forward:			
Due from Treasury re current year	3,438	1,722	
Arrears – current year	3,121	3,230	
– previous years	3,298	2,561	
	<u>9,857</u>	<u>7,513</u>	
	<u>104,504</u>	<u>90,705</u>	
		2020	2019
		£	£
Refuse rates levied for the year		<b>102,086</b>	90,112
Less: Discounts, exempt/uninhabitable properties & refunds		<b>(3,972)</b>	(3,308)
		<u>98,114</u>	<u>86,804</u>
Per Comprehensive Income and Expenditure Statement		<u>98,114</u>	<u>86,804</u>

# Michael District Commissioners

## Notes to the financial statements (Continued)

*for the year ended 31 March 2020*

### **7. Employee remuneration**

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

### **Key management compensation**

Key management personnel compensation paid amounted to £24,444 including employers pension contributions (2019: £22,663).

### **Members' allowances**

During the year the Authority paid £1,188 to its Members in respect of their attendance at meetings, undertaking duties and responsibilities (2019: £1,324).

### **8. 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 £32,708 (2019: £29,954) to Western Civic Amenity Site and also paid £2,887 (2019: £2,867) to Western Swimming Pool Board.

The Authority also paid £102,086 (2019: £90,112) in respect of refuse collection costs to Northern Parishes Refuse Board. An amount of £7,054 was due to Northern Parishes Refuse Board (2019: £16,796 due from/(to) Northern Parishes Refuse Board).

The Authority also paid £12,088 (2019: £22,310) to Manx Utility Authority during the year in respect of electricity charges and street lighting maintenance and lighting charges

No related party disclosures arose in relation to officers.

# Michael District Commissioners

## Notes to the financial statements (Continued)

for the year ended 31 March 2020

### 9. 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:

	2020	2019
	£	£
Depreciation, impairment & revaluation losses for non-current assets	14,803	12,500
Profit on sale of fixed assets	(1,934)	-
(Decrease)/increase in creditors	(9,055)	8,495
(Increase) in debtors	(6,936)	(7,263)
Net charges for retirement benefits	2,000	2,000
	<u>(1,122)</u>	<u>15,732</u>

### 10. Cash flow statement – Investing activities

	2020	2019
	£	£
Purchase of assets (Fixed assets, investment property, intangible assets)	(27,340)	(51,135)
Proceeds on sale of fixed assets	2,000	-
	<u>(25,340)</u>	<u>(51,135)</u>

### 11. Cash flow statement – Financing activities

	2020	2019
	£	£
Repayments of short-term and long-term borrowing	-	(6,471)
Loan interest paid	-	(51)
Loan interest received	162	99
	<u>162</u>	<u>(6,423)</u>

### 12. Independent examination fees

During 2019/20 the Authority incurred the following fees relating to independent examination:

	2019/20	2018/19
	£	£
Fees payable with regard to assurance review services	<u>2,350</u>	<u>2,350</u>

### 13. Total rateable value

The total rateable value of the District at 31 March 2020 is £115,463 (2019: £114,673) with a 138p rate being charged (2019: 138p). Refuse rates were levied at 62p in the £ (2019: 55p) on a rateable value of £108,533 (2019: £107,743).

# Michael District Commissioners

## Notes to the financial statements (Continued)

for the year ended 31 March 2020

### 14. 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 2019 by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	31 March 2020	31 March 2019
Rate of increase in salaries	2.7%	3.20%
Rate of increase in pensions	1.9%	2.40%
Rate for discounting scheme liabilities	2.35%	2.45%

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 2020
	Years
Longevity at the age of 65 for current pensioners	
• Men	21.1
• Women	24.1
Longevity at the age of 65 for future pensioners	
• Men	22.5
• Women	25.5

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

	2020	2019
	%	%
Equity instruments	46	50
Bonds	37	32
Property	16	15
Cash	1	3
Total	<u>100</u>	<u>100</u>

# Michael District Commissioners

## Notes to the financial statements (Continued) for the year ended 31 March 2020

### 14. Post employment benefits - continued

Reconciliation of scheme assets and liabilities:

	Assets £	Liabilities £	Total £
At 1 April 2019	114,000	167,000	(53,000)
Benefits paid	-	-	-
Plan participants contributions	1,000	1,000	-
Employer contributions	5,000	-	5,000
Current service cost	-	6,000	(6,000)
Interest income/(expense)	3,000	4,000	(1,000)
Remeasurement gains/(losses)			
• Actuarial gains	(57,000)	(7,000)	(50,000)
• Experience loss/gain	-	(90,000)	90,000
• Return on plan assets excluding interest income	(9,000)	-	(9,000)
At 31 March 2020	<u>57,000</u>	<u>81,000</u>	<u>(24,000)</u>

Total cost recognised as an expense:

	2020 £	2019 £
Current service cost	6,000	6,000
Interest cost	4,000	4,000
	<u>10,000</u>	<u>10,000</u>
	2020 £	2019 £
Interest income	4,000	4,000
Return on plan assets less interest income	(9,000)	2,000
Total return on plan assets	<u>(5,000)</u>	<u>6,000</u>

### 16. Capital commitments

There were no commitments for capital expenditure that had started, or legal contracts entered into as at 31 March 2019 or 2020.

# Michael District Commissioners

## Detailed Income and Expenditure Account

For the year ended 31 March 2020

	2020	2019
	£	£
<b>Income</b>		
Property search fees	3,150	2,880
Hall rental	1,515	1,495
Miscellaneous income	900	5,325
Garden Rental	-	345
	<u>5,565</u>	<u>10,045</u>
<b>Expenditure</b>		
Accountancy fees	3,861	3,783
Amenity areas maintenance	10,016	6,842
Assurance fees / Audit fees	1,850	2,350
Bad debts written off		
General rates	(166)	(88)
Refuse rates	(87)	(45)
Bank charges	292	307
Cleaning & public conveniences	4,405	3,506
Community events	2,793	2,652
Depreciation	14,803	12,500
Employers NI	1,667	1,144
Insurance	3,450	4,465
Internal audit fee	1,800	1,800
Legal & actuarial fees	500	1,050
Office expenses	5,461	4,672
Litter, dog bins & by-law duties	8,506	8,753
Meeting attendance allowances	1,188	1,324
Miscellaneous expenses	2,674	2,112
Provision for bad debts – (release)/charge		
General rates	951	1,026
Refuse rates	737	650
Rates	450	389
Rate collection charges	3,112	2,927
Refuse collection charges	96,905	84,517
Shortfall met out of General Rates Revenue	5,181	5,595
Repairs and renewals	10,487	10,552
Salary and wages	24,444	22,663
Street lighting	9,498	10,794
Western Civic Amenity Site Board – contribution	32,708	29,954
Western Local Authorities Swimming Pool Board - contribution	2,887	2,867
Total Expenditure	<u>250,373</u>	<u>229,061</u>
Net expenditure from services	<u>244,808</u>	<u>219,016</u>

This page does not form part of the reviewed financial statements