

**HAMILTON PARISH COUNCIL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2011**



## *Office of the Auditor General*

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### INDEPENDENT AUDITOR'S REPORT

To the Minister of Public Works

I have audited the accompanying financial statements of the Hamilton Parish Council (the "Council"), which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2011, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Hamilton, Bermuda  
March 19, 2013

A handwritten signature in blue ink, appearing to read 'HJM', followed by a long horizontal line extending to the right.

Heather A. Jacobs Matthews, JP, FCA, CFE  
Auditor General

HAMILTON PARISH COUNCIL  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2011

	2011	2010
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	10,404	9,284
Prepaid expenses	103	76
	<u>10,507</u>	<u>9,360</u>
<b>CAPITAL ASSETS (note 4)</b>	<u>187,810</u>	<u>191,201</u>
	<u><u>198,317</u></u>	<u><u>200,561</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	191	1,035
Mortgage payable, current portion (note 5)	7,834	7,004
	<u>8,025</u>	<u>8,039</u>
<b>MORTGAGE PAYABLE (note 5)</b>	<u>52,057</u>	<u>60,188</u>
	<u>60,082</u>	<u>68,227</u>
<b>NET ASSETS</b>		
Invested in capital assets	117,395	113,485
Unrestricted	20,840	18,849
	<u>138,235</u>	<u>132,334</u>
	<u><u>198,317</u></u>	<u><u>200,561</u></u>

The accompanying notes are an integral part of these financial statements.

HAMILTON PARISH COUNCIL  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2011

	2011	2010
	\$	\$
<b>REVENUES</b>		
Rental income (note 6)	18,000	16,800
Donated audit services	6,900	6,900
Government grant (note 6)	1,600	-
Other	118	-
	<u>26,618</u>	<u>23,700</u>
<b>EXPENSES</b>		
Audit and accounting fees	7,700	7,700
Mortgage interest	4,154	4,607
Amortization of capital assets	3,391	3,391
Insurance	2,102	2,649
Office supplies	972	714
Repairs and maintenance	879	11,434
Donations	500	1,066
Entertainment	450	-
Advertising	240	100
Land tax	217	222
Post office box	65	81
Bank charges	47	105
	<u>20,717</u>	<u>32,069</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u><u>5,901</u></u>	<u><u>(8,369)</u></u>

The accompanying notes are an integral part of these financial statements.

HAMILTON PARISH COUNCIL  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2011

	2011			2010
	Invested in capital assets	Unrestricted	Total	Total
	\$	\$	\$	\$
NET ASSETS, BEGINNING OF YEAR	113,485	18,849	132,334	140,703
Excess (deficiency) of revenues over expenses	(3,391)	9,292	5,901	(8,369)
Mortgage principal repayments (note 5)	<u>7,301</u>	<u>(7,301)</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>117,395</u>	<u>20,840</u>	<u>138,235</u>	<u>132,334</u>

The accompanying notes are an integral part of these financial statements.

HAMILTON PARISH COUNCIL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2011

	2011	2010
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenses	5,901	(8,369)
Adjustment for items not affecting cash:		
Amortization of capital assets	3,391	3,391
Changes in non-cash working capital:		
Increase in prepaid expenses	(27)	(76)
Decrease in accounts payable and accrued liabilities	(844)	(2,087)
	<u>8,421</u>	<u>(7,141)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Mortgage principal repayments	<u>(7,301)</u>	<u>(6,843)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,120	(13,984)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>9,284</u>	<u>23,268</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>10,404</u></u>	<u><u>9,284</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u><u>3,963</u></u>	<u><u>4,416</u></u>

The accompanying notes are an integral part of these financial statements.

HAMILTON PARISH COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

1. NATURE OF OPERATIONS

The Hamilton Parish Council (the "Council") was established under the Parish Councils Act 1971 (the "Act"). The main functions of the Council are to provide and maintain places of recreation and recreational facilities, to preserve and improve the general amenities of the parish and to promote the well-being of persons resident in the parish.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada. For financial reporting purposes the Council is classified as a government not-for-profit organization and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are set out below:

(a) Revenue recognition

The Council's revenue is recognized on the accrual basis when it is possible that the economic benefits will flow to the Council and the revenue can be reliably measured.

Rental income is recognized when received or receivable in the year to which it relates.

(b) Donated goods and contributed services

Donated goods and services are recorded as revenue when a fair value can be reasonably estimated and when the goods and services would otherwise have been purchased or incurred.

Volunteers contribute time to assist the Council in carrying out its activities. Contributed services are not recognized in the financial statements due to the difficulty in determining their value.

(c) Cash and cash equivalents

Cash and cash equivalents include all cash on deposit with financial institutions that can be withdrawn without prior notice or penalty and time deposits with an original maturity of 90 days or less.

(d) Capital assets

The Council owns land and a building situated on it known as the Radnor House (the "Cottage"). Capital assets are recorded at cost. The Cottage is amortized on a straight-line basis over its useful life of 30 years.



HAMILTON PARISH COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments

The Council's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities.

It is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values due to their relative short-term nature.

Certain items such as prepaid expenses are excluded from fair value disclosure, as they are not financial instruments.

(f) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

3. ECONOMIC DEPENDENCE

Section 9 of the Act provides that any expenses incurred, with the approval of the Minister, which cannot be met out of parochial funds shall be paid out of funds appropriated by the Legislature.

4. CAPITAL ASSETS

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	120,000	-	120,000	120,000
Building	101,720	33,910	67,810	71,201
	<u>221,720</u>	<u>33,910</u>	<u>187,810</u>	<u>191,201</u>

HAMILTON PARISH COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2011

5. MORTGAGE PAYABLE

	2011	2010
	\$	\$
Balance	67,192	74,035
Less: principal repayments	<u>7,301</u>	<u>6,843</u>
Balance, end of year	59,891	67,192
Less: current portion	<u>7,834</u>	<u>7,004</u>
	<u>52,057</u>	<u>60,188</u>

On February 8, 2001, the Bank of N.T. Butterfield & Son Ltd. provided a mortgage secured by the land and the Cottage. Interest is variable and currently payable at 6.5% per annum. Commencing March 2001, monthly instalments of principal and interest totalling \$954 is payable.

Principal and interest repayments required in each of the next five years are as follows:

Year	Amount \$
2012	11,455
2013	11,455
2014	11,455
2015	11,455
2016	<u>11,455</u>
	<u>57,275</u>

6. RELATED PARTY TRANSACTIONS

The Council is related in terms of common control to all Government of Bermuda (the "Government") created departments, funds and quasi-autonomous non-governmental organizations. The Council enters into transactions with these entities in the normal course of business and such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

The Council has a tenancy agreement and a mortgage agreement with the Bermuda Housing Corporation (the "BHC"). Both the Council and BHC are under the common control of the Government. The Council received \$18,000 (2010 - \$16,800) of rental income from the BHC during the year.

HAMILTON PARISH COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2011

6. RELATED PARTY TRANSACTIONS (continued)

The outstanding balance at year end is \$Nil (2010 - \$800) and is recognized in accounts payable and accrued liabilities.

7. FINANCIAL RISK MANAGEMENT

The Council is exposed to various risks through its financial instruments. The Council has overall responsibility for the establishment and oversight of its risk management framework. The Council manages its risks and risk exposures through sound business practices. The following analysis provides a measure of the risks at the reporting date, March 31, 2011.

*(a) Credit Risk*

Credit risk arises from cash held with banks. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Council determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

*(b) Liquidity Risk*

Liquidity risk is the risk the Council will not be able to meet its financial obligations as they fall due. The Council's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Council's reputation. The Council manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

*(c) Market Risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Council's results of operations. The Council has minimal exposure to market risk.

*(i) Foreign exchange*

The Council's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

*(ii) Interest rate*

The Council is exposed to changes in interest rates, which may impact interest expense on mortgage payable.

HAMILTON PARISH COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2011

8. CAPITAL MANAGEMENT

The Council's objective when managing capital is to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events. The Council seeks to achieve this objective through receipt of rental income and excess of revenues over expenses. The Council maintains sufficient liquidity to meet its short-term obligations as they come due. The Council is not subject to any externally imposed capital requirements.

9. FUTURE ACCOUNTING POLICY CHANGES

In December 2010, the Public Sector Accounting Board approved an amendment to the introduction to the Public Sector Accounting Handbook. Effective for fiscal years beginning on or after January 1, 2012, government not-for-profit organizations are directed to use either the public sector accounting standards for government not-for-profit organizations or the public sector accounting standards without sections PS 4200 to PS 4270. The Council is currently assessing the appropriateness and potential impact of the change in accounting standards on its financial statements for the year ending March 31, 2013.