

HAMILTON PARISH COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2016



*PO Box 429
Crawl CR BX
Bermuda
Ph: 293-2263*

<https://www.hamiltonparish.bm>

October 20, 2016

Management's Responsibility for the Financial Statements

These financial statements have been prepared by those charged with governance, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using management's best estimates and judgements, where appropriate.

Those charged with governance are responsible for maintaining a comprehensive system of accounting records, internal controls, policies and practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

Those charged with governance are responsible for ensuring that they fulfill their responsibility for financial reporting and internal controls. Those charged with governance meet periodically to discuss matters relating to financial reporting, internal control and audits. Those charged with governance also review the financial statements before their approval. The financial statements have been approved by those charged with governance and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.

Mr. Richard Winchell
Chairman – Hamilton Parish Council

Mr. Peter Barrett
Treasurer/Council Member



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the Minister of Tourism, Transport and Municipalities,

I have audited the accompanying financial statements of the Hamilton Parish Council, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, change in net debt 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 public sector accounting standards 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 Hamilton Parish Council as at March 31, 2016, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.



Hamilton, Bermuda
October 20, 2016

Heather Thomas, CPA, CFE, CGMA
Auditor General

HAMILTON PARISH COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash (note 4)	14,559	16,240
Contribution receivable	-	1,600
Due from the Government of Bermuda (note 7)	3,800	1,550
	18,359	19,390
LIABILITIES		
Accounts payable and accrued liabilities	10,130	6,484
Deferred revenue (note 9)	5,833	4,993
Mortgage payable (note 6)	15,367	25,459
	31,330	36,936
NET DEBT	(12,971)	(17,546)
NON-FINANCIAL ASSETS		
Prepaid expense (note 8)	180	180
Tangible capital assets (note 5)	52,042	57,016
Vacant, unused land (note 5)	120,000	120,000
	172,222	177,196
ACCUMULATED SURPLUS	159,251	159,650

The accompanying notes are an integral part of these financial statements

HAMILTON PARISH COUNCIL
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015	2016
	\$	\$	\$
	Actual	Actual	Budget (Note 13)
REVENUES			
Rental income (note 7)	18,000	18,000	18,000
Donated audit and accounting services	7,900	7,900	6,900
Government grant for scholarships (note 9)	5,000	5,000	5,000
Government grant for Council meetings (note 7)	3,800	5,300	6,000
Scholarship donations	3,500	4,100	5,000
	<u>38,200</u>	<u>40,300</u>	<u>40,900</u>
EXPENSES			
General administration (note 10)	10,561	6,171	12,580
Audit and accounting fees	7,900	7,900	6,900
Scholarship award (note 9)	5,000	5,000	5,000
Bursary awards (note 9)	5,000	2,500	2,500
Amortization of tangible capital assets (note 5)	4,974	4,974	4,974
Council meetings (note 7)	3,800	5,300	6,000
Mortgage interest (note 6)	1,364	1,994	1,588
	<u>38,599</u>	<u>33,839</u>	<u>39,542</u>
OPERATING (LOSS) SURPLUS	(399)	6,461	<u>1,358</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>159,650</u>	<u>153,189</u>	
ACCUMULATED SURPLUS, END OF YEAR	<u>159,251</u>	<u>159,650</u>	

The accompanying notes are an integral part of these financial statements

HAMILTON PARISH COUNCIL
STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
	\$	\$
NET DEBT, BEGINNING OF YEAR	<u>(17,546)</u>	<u>(28,981)</u>
Operating (loss) surplus	(399)	6,461
Amortization of tangible capital assets (note 5)	4,974	4,974
	<u>4,575</u>	<u>11,435</u>
Decrease in net debt	4,575	11,435
NET DEBT, END OF YEAR	<u><u>(12,971)</u></u>	<u><u>(17,546)</u></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, 2016

	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss) surplus	(399)	6,461
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	4,974	4,974
	4,575	11,435
Change in non-cash working capital items:		
Decrease (increase) in contribution receivable	1,600	(1,600)
(Increase) decrease in due from the Government of Bermuda	(2,250)	2,650
Increase in accounts payable and accrued liabilities	3,646	824
Increase in deferred revenue	840	2,463
	8,411	15,772
CASH FLOWS FROM FINANCING ACTIVITY		
Mortgage repayments	(10,092)	(9,461)
NET (DECREASE) INCREASE IN CASH	(1,681)	6,311
CASH, BEGINNING OF YEAR	16,240	9,929
CASH, END OF YEAR	14,559	16,240
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest expense paid	1,364	1,994

The accompanying notes are an integral part of these financial statements

HAMILTON PARISH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

1. AUTHORITY

The Hamilton Parish Council (the "Council") was established by statute under the Parish Councils Act 1971. The main functions of the Council are to advise the Minister responsible for parish councils on matters affecting the general welfare of persons resident in the parish, and assist with the preservation and enhancement of the general amenities of the parish.

2. SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, the Council is classified as a government not-for-profit organization. These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada and the accounting policies considered particularly significant are as follows:

a. Cash

Cash is comprised of a Bermuda dollar chequing account with a local bank.

Cash donations earmarked for the Council's scholarship program are subject to an internal restriction for such use.

b. Capital assets

Tangible capital assets are recorded at cost. The cottage is amortized on a straight-line basis over its useful life of 30 years. The furniture and fittings are amortized on a straight-line basis over their useful life of 5 years.

Vacant and unused land is recorded at cost and is not subject to amortization.

c. Revenue recognition

Revenue from rental income is recognized when earned. Amounts due to the Council at year-end, if any, are accrued.

Donations for scholarship funding are recorded when received or when an unconditional pledge made by a donor is considered fulfillable.

Donations are deferred when restrictions are placed on their use by the donor, and are recognized as revenue when used for the specific purpose.

d. Expenses

Expenses are recognized when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration paid or payable.

HAMILTON PARISH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Expenses (continued)

Scholarship awards are recorded as an expense when the award is formally approved by the Council and the student commences with their post-secondary education.

e. Donated goods and contributed services

Donated goods and services are recorded as received 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. Except for donated audit and accounting services, contributed services are not recognized in these financial statements due to the difficulty in determining their fair values.

f. Measurement uncertainty

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. A significant area requiring the use of estimates includes the estimated useful lives of capital assets. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

g. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current period and are not intended for sale in the normal course of operations.

h. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are stated at their amortized cost.

The Council recognizes a provision if a present obligation has arisen as a result of a past event, payment is probable and the amount can be measured reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date, that is, the amount the Council would rationally pay to settle the obligation to a third party.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Subsequent events

Post year end events that provide additional information about the Council's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post year end events that are not adjusting events are disclosed in the notes to the financial statements when material.

j. Financial instruments

The Council classifies its financial instruments under cost or amortized cost category.

Cash is recognized at cost. Due from the Government of Bermuda and accounts payable and accrued liabilities are initially recognized at cost and subsequently carried at amortized cost, less any impairment losses.

Transaction costs related to the financial instruments are added to the carrying value of the instrument when initially recognized.

Write-downs on financial assets are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations.

It is management's opinion that the Council is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

3. ECONOMIC DEPENDENCE

The Council is economically dependent upon renting a single Cottage under its management and the financial assistance provided by the Government of Bermuda (the "Government") to fund its daily operations, cash flow, capital development and capital acquisitions.

4. CASH

	2016	2015
	\$	\$
Unrestricted cash	8,726	11,247
Restricted cash	5,833	4,993
	<u>14,559</u>	<u>16,240</u>

Restricted cash consists of funds donated for the scholarship program.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

5. TANGIBLE CAPITAL ASSETS

	2016		
	Cottage \$	Furniture & Fittings \$	Total \$
Cost:			
Opening balance	101,720	7,915	109,635
Additions	-	-	-
Closing Balance	101,720	7,915	109,635
Accumulated Amortization:			
Opening balance	47,474	5,145	52,619
Amortization	3,391	1,583	4,974
Closing Balance	50,865	6,728	57,593
Net Book Value	50,855	1,187	52,042
	2015		
	Cottage \$	Furniture & Fittings \$	Total \$
Cost:			
Opening balance	101,720	7,915	109,635
Additions	-	-	-
Closing Balance	101,720	7,915	109,635
Accumulated Amortization:			
Opening balance	44,083	3,562	47,645
Amortization	3,391	1,583	4,974
Closing Balance	47,474	5,145	52,619
Net Book Value	54,246	2,770	57,016

In 1971, with the establishment of the Parish Councils Act, the cottage ("Radnor House") was transferred to the Council from the Hamilton Parish Vestry. An insurance valuation has estimated the replacement cost of the Radnor House to be \$516,348.

In 1991, the Council secured a \$120,000 mortgage to purchase a plot of undeveloped land immediately behind Radnor House. This plot of land remains vacant and unused, and as such provides no utility towards the Radnor House or anything else. On November 20, 2015 the Council received official Ministerial approval to find a buyer for the plot of land. If a buyer is found, Ministerial permission will be needed before finalizing the sale.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

6. MORTGAGE PAYABLE

	2016	2015
	\$	\$
Balance, beginning of year	25,459	34,920
Less: principal repayment	<u>(10,092)</u>	<u>(9,461)</u>
Balance, end of year	<u>15,367</u>	<u>25,459</u>

On February 8, 2001, the Bank of N.T. Butterfield & Son Ltd. provided a mortgage secured by the land and cottage. Commencing March 2001, monthly instalments of principal and interest in the amount of \$955 were payable. Interest is variable and currently payable at 7% per annum. Interest expense paid during the year amounted to \$1,364 (2015: \$1,994). The mortgage is expected to be fully retired in 2017.

7. RELATED PARTY TRANSACTIONS

The Council has a tenancy agreement and a mortgage agreement with the Bermuda Housing Corporation (the "BHC"). Both the Council and the BHC are under the common control of the Government. The Council received \$18,000 (2015: \$18,000) of rental income from Radnor House via the BHC during the year. Rental payments from the BHC are current.

The Government also provides funding to the Council for members attendance. During the fiscal year, attendance fees amounted to \$3,800 (2015: \$5,300) of which \$3,800 (2015: \$1,550) is due from the Government at year end and \$4,250 (2015: \$5,300) are owed to council members for their attendance and are included in accounts payable and accrued liabilities.

8. WEBSITE

On October 23, 2013, the Council launched their website using donated funds. The purpose of the website is to aid in the ongoing management and administration of the Council, as well as to provide information about the Council to the public. The Council has a formal hosting agreement in place with a local vendor. There is an annual hosting expense of \$360 associated with the website of which \$180 remains prepaid at the end of the fiscal year.

9. SCHOLARSHIP PROGRAM

On November 19, 2013, the Council officially launched their scholarship program and from that point began fundraising. Amounts donated and paid from the scholarship program are detailed in the financial statements.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

9. SCHOLARSHIP PROGRAM (continued)

Contributions towards the scholarship program are treated as a segregated component of the Council's running cash balance and are deferred until paid to the scholarship recipients. As at the year-end, \$5,833 (2015: \$4,993) was restricted to the scholarship program. On September 16, 2015, the Council received \$5,000 from the Ministry of Home Affairs as a result of a pledge they made towards the scholarship program earlier in the fiscal year. During September 2015, the Council made a scholarship award of \$5,000 and two bursary awards of \$2,500 each.

10. GENERAL ADMINISTRATION

	2016	2015
	\$	\$
Repairs and maintenance	5,880	320
Insurance	2,112	2,112
Advertising and public meeting	708	1,043
Website administration	401	446
Website hosting	360	360
Donations	300	520
Land tax	296	218
Bank charges	208	280
Post office box rental	85	85
Basketball court re-lining	70	-
Railway walk event	-	787
Miscellaneous	141	-
	10,561	6,171

11. FINANCIAL RISK MANAGEMENT

The Council is exposed to various risks through its financial instruments. The council members have overall responsibility for the establishment and oversight of its risk management framework. The Council manages its risk and risk exposures through sound business practices. The following analysis provides a measure of the risks at the reporting date, March 31, 2016.

(a) Credit risk

Credit risk arises from cash held with a bank and receivables. The maximum exposure to credit risk is equal to the carrying values 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. It is the Council's opinion that it is not exposed to significant credit risk.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

11. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure credit risk.

(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.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure liquidity risk.

(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 risk

The Council's business transactions are conducted in Bermuda dollars and, as such, it has no exposure to foreign exchange risk.

(ii) Interest rate risk

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

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods to measure market risk.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016

11. CAPITAL MANAGEMENT

The Council's objective when managing capital is to hold sufficient accumulated surplus to enable it to withstand negative unexpected financial events. The Council seeks to achieve this objective through receipt of rental income and grants from the Government. The Council seeks to maintain sufficient liquidity to meet its short-term obligations as they come due. The Council is not subject to any externally imposed capital requirements.

12. BUDGET FIGURES

These amounts represent the operating budget approved by the Council.