

**HAMILTON PARISH COUNCIL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2018**

**(UNAUDITED)**



## ***Office of the Auditor General***

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### **INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT**

To the Minister of Home Affairs

I have reviewed the accompanying financial statements of the Hamilton Parish Council that comprise the statement of financial position as at March 31, 2018, and the statements of operations and accumulated surplus, change in net financial 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 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.

#### **Practitioner's Responsibility**

My responsibility is to express a conclusion on these financial statements based on my review. I conducted my review in accordance with standards for review engagements generally accepted in Bermuda and Canada, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with standards for review engagements generally accepted in Bermuda and Canada is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada. Accordingly, I do not express an audit opinion on these financial statements.

## **Conclusion**

Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of the Hamilton Parish Council as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.



Hamilton, Bermuda  
January 27, 2019

Heather Thomas, CPA, CFE, CGMA  
Auditor General

**HAMILTON PARISH COUNCIL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2018**  
**( UNAUDITED )**

	2018	2017
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash (note 4)	13,476	3,491
Due from the Government of Bermuda (note 7)	-	1,300
	13,476	4,791
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 7)	2,007	4,635
Deferred scholarship revenue (note 9)	3,125	-
Mortgage payable (note 6)	-	4,596
	5,132	9,231
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>8,344</b>	<b>(4,440)</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expense (note 8)	180	180
Tangible capital assets (note 5)	44,073	47,464
Vacant, unused land (note 5)	120,000	120,000
	164,253	167,644
<b>ACCUMULATED SURPLUS</b>	<b>172,597</b>	<b>163,204</b>

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, 2018**  
**( UNAUDITED )**

	2018	2017
	\$	\$
<b>REVENUES</b>		
Rental income (note 7)	18,000	18,000
Government grant for scholarships (note 9)	5,000	-
Donations towards scholarship program (note 9)	5,000	9,583
Donated review and accounting services	4,500	4,500
Government grant for Council meetings (note 7)	4,000	4,050
Donations and miscellaneous items	484	317
	36,984	36,450
<b>EXPENSES</b>		
Scholarship awards (note 9)	10,000	5,000
General administration (note 10)	5,607	8,684
Review and accounting fees	4,500	4,500
Council meetings (note 7)	4,000	4,050
Amortization of tangible capital assets (note 5)	3,391	4,578
Mortgage interest (note 6)	93	685
Bursary awards (note 9)	-	5,000
	27,591	32,497
<b>OPERATING SURPLUS</b>	9,393	3,953
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	163,204	159,251
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	172,597	163,204

The accompanying notes are an integral part of these financial statements

**HAMILTON PARISH COUNCIL**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2018**  
**( UNAUDITED )**

	2018	2017
	\$	\$
NET DEBT, BEGINNING OF YEAR	(4,440)	(12,971)
Operating surplus	9,393	3,953
Amortization of tangible capital assets (note 5)	3,391	4,578
Decrease in net debt during the year	12,784	8,531
NET ASSETS (DEBT), END OF YEAR	8,344	(4,440)

The accompanying notes are an integral part of these financial statements

**HAMILTON PARISH COUNCIL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2018**  
**( UNAUDITED )**

	2018	2017
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating surplus	9,393	3,953
Adjustment for items not affecting cash:		
Amortization of tangible capital assets (note 5)	3,391	4,578
	12,784	8,531
Change in non-cash working capital items:		
Decrease in due from the Government of Bermuda	1,300	2,500
Decrease in accounts payable and accrued liabilities	(2,628)	(5,495)
Increase (decrease) in deferred scholarship revenue	3,125	(5,833)
	14,581	(297)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Mortgage repayments (note 6)	(4,596)	(10,771)
	9,985	(11,068)
<b>NET INCREASE (DECREASE) IN CASH</b>		
<b>CASH, BEGINNING OF YEAR</b>	3,491	14,559
<b>CASH, END OF YEAR</b>	13,476	3,491

The accompanying notes are an integral part of these financial statements

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
**(UNAUDITED)**

**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. Tangible capital assets

Tangible capital assets are recorded at cost. The cottage is amortized on a straight-line basis over 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 and grants for scholarship funding are recorded when received or when an unconditional pledge made by a donor is considered fulfillable. Donations and grants are initially deferred when received and then recognized as revenue when scholarship expenses are incurred.



**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
**(UNAUDITED)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

d. Expenses

Expenses are recognized when an obligation has arisen from services received or goods delivered. Expenses are measured at the fair value of the consideration paid or payable. Scholarship and bursary awards are recorded as expenses when the awards are formally approved by the Council.

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

The preparation of financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada requires 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 tangible 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. 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, 2018**  
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**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. Amounts 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 and accumulated surplus.

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

k. Adoption of Public Sector Accounting Standards

On April 1, 2017 the Council adopted Public Sector Accounting Standards PS2200 Related Party Disclosures, PS3210 Assets and the amendments to the Introduction to Public Sector Accounting Standards.

The adoption of these standards has not resulted in any disclosure changes to the financial statements.

**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.

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2018**  
**(UNAUDITED)**

**4. CASH**

	2018	2017
	\$	\$
Unrestricted cash	10,351	3,491
Internally restricted cash (note 9)	<u>3,125</u>	<u>-</u>
	<u>13,476</u>	<u>3,491</u>

Internally restricted cash consists of funds donated for the scholarship program.

**5. TANGIBLE CAPITAL ASSETS**

	2018		
	Cottage \$	Furniture & Fittings \$	Total \$
Cost:			
Opening balance	101,720	7,915	109,635
Additions	-	-	-
Closing Balance	<u>101,720</u>	<u>7,915</u>	<u>109,635</u>
Accumulated Amortization:			
Opening balance	54,256	7,915	62,171
Amortization	3,391	-	3,391
Closing Balance	<u>57,647</u>	<u>7,915</u>	<u>65,562</u>
Net Book Value	<u>44,073</u>	<u>-</u>	<u>44,073</u>
	2017		
	Cottage \$	Furniture & Fittings \$	Total \$
Cost:			
Opening balance	101,720	7,915	109,635
Additions	-	-	-
Closing Balance	<u>101,720</u>	<u>7,915</u>	<u>109,635</u>
Accumulated Amortization:			
Opening balance	50,865	6,728	57,593
Amortization	3,391	1,187	4,578
Closing Balance	<u>54,256</u>	<u>7,915</u>	<u>62,171</u>
Net Book Value	<u>47,464</u>	<u>-</u>	<u>47,464</u>

**HAMILTON PARISH COUNCIL**  
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**5. TANGIBLE CAPITAL ASSETS (continued)**

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 \$530,908.

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.

**6. MORTGAGE PAYABLE**

	2018	2017
	\$	\$
Balance, beginning of year	4,596	15,367
Less: principal repayment	4,596	10,771
Balance, end of year	-	4,596

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 repayable. Interest is variable and currently payable at 7% per annum. Interest expense paid during the year amounted to \$93 (2017: \$685). The mortgage was fully retired in August 2017.

**7. RELATED PARTY TRANSACTIONS**

The Council has a tenancy 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 (2017: \$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 \$4,000 (2017: \$4,050) of which \$nil (2017: \$1,300) is due from the Government at year end and \$1,900 (2017: \$4,500) is owed to council members for their attendance and are included in accounts payable and accrued liabilities.

**8. WEBSITE**

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.

**HAMILTON PARISH COUNCIL**  
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**9. SCHOLARSHIP PROGRAM**

On November 19, 2013, the Council officially launched their scholarship program and from that point began fundraising. All contributions were in the form of cash.

Contributions towards the scholarship program are treated as segregated components of the Council's running cash balances. Cash restricted to the scholarship program is disclosed in note 4. Scholarship and bursary expenses together with grants and donations earned are fully disclosed in the statement of operations and accumulated surplus. Deferred revenue relating to the scholarship program is fully disclosed in the statement of financial position. Cash flows relating to all amounts received and paid through the scholarship program are fully disclosed in note 14.

**10. GENERAL ADMINISTRATION**

	2018	2017
	\$	\$
Insurance	2,437	2,112
Parish signs	574	295
Tea parties held	555	857
Website administration	433	275
Public awareness and public meeting expenses	422	550
Website hosting	360	360
Bank charges	277	213
Donation	250	-
Land tax	214	269
Post office box rental	85	85
Repairs and maintenance to cottage	-	2,875
Loss due to cancelled/rained out tea party	-	793
	5,607	8,684
	5,607	8,684

**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, 2018.

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. FINANCIAL RISK MANAGEMENT (continued)**

**(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.

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**

Since the mortgage was fully paid in August 2017, the impact of an escalating interest expense on the mortgage payable is now nil.

Except for the interest rate risk, 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**  
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**12. 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.

**13. BUDGET FIGURES**

These amounts represent the operating budget approved by the Council.

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

The statement of cash flows is prepared using the indirect method of accounting. Under this method the cash flows from operations is calculated by taking any operating surplus or deficit, adding back any non-cash items affecting operations and then adding any changes in non-cash working capital used to operate the entity. The indirect method does not show amounts of cash raised and spent as it relates to operations.

The following analysis shows the operating cash flows of the Council as prepared using the direct method. This analysis provides a more direct view of amounts spent and received during the year as it relates to the operations of the Council.

	2018	2017
	\$	\$
Cash received from renting out the cottage	18,000	18,000
Cash paid insuring the cottage	(2,437)	(2,112)
Cash paid maintaining the cottage	-	(8,754)
Cash paid for land tax	(214)	(135)
Net cash received relating to the cottage	<u>15,349</u>	<u>6,999</u>
Cash paid for bank fees	(279)	(213)
Interest paid on the mortgage	(93)	(685)
Cash received from government for attendance fees	5,300	6,550
Cash paid to members for attendance	(1,908)	(1,050)
Cash paid for parish sign	(574)	(295)
Cash paid for public meeting flyers	-	(550)
Cash paid for website hosting & administration	(793)	(635)
Contributions received for scholarship program	3,300	1,000
Grant received from government for scholarship program	5,000	-
Cash paid for the scholarship and bursaries	(10,000)	(10,000)

**HAMILTON PARISH COUNCIL**  
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**14. SUPPLEMENTAL CASH FLOW INFORMATION (continued)**

Cash paid for PO Box fee	(85)	(85)
Cash paid for tea parties	(576)	(1,333)
Cash paid for donations	(250)	-
Miscellaneous items paid	190	-
	<u>(768)</u>	<u>(7,296)</u>
Net cash paid relating to operations ex-cottage		
	<u>(768)</u>	<u>(7,296)</u>
Net cash provided by (used in) operating activities	<u>14,581</u>	<u>(297)</u>