

**HAMILTON PARISH COUNCIL  
FINANCIAL STATEMENTS  
MARCH 31, 2019  
(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, 2019, 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, 2019, 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  
October 10, 2019

A handwritten signature in black ink, appearing to read "Heather Thomas".

Heather Thomas, CPA, CFE, CGMA  
Auditor General

**HAMILTON PARISH COUNCIL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2019**  
**( UNAUDITED )**

	2019	2018
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash (note 4)	18,612	13,476
Due from the Government of Bermuda (note 6)	2,900	-
Due from The Lyceum Trust (note 10)	9,527	-
Due from St. George's Parish Council (note 9)	685	-
	<u>31,724</u>	<u>13,476</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,058	2,007
Deferred scholarship revenue (notes 7 & 10)	12,179	3,125
	<u>13,237</u>	<u>5,132</u>
<b>NET FINANCIAL ASSETS</b>	<u>18,487</u>	<u>8,344</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expense	180	180
Tangible capital assets (note 5)	40,682	44,073
Vacant, unused land (note 5)	120,000	120,000
	<u>160,862</u>	<u>164,253</u>
<b>ACCUMULATED SURPLUS</b>	<u>179,349</u>	<u>172,597</u>

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, 2019**  
**( UNAUDITED )**

	2019	2018	Budget (Note 14)
	\$	\$	\$
<b>REVENUES</b>			
Rental income (notes 6 & 15)	18,000	18,000	18,000
Donations towards scholarship program (note 7)	10,000	5,000	4,000
Donated review and accounting services	4,500	4,500	4,500
Government grant for Council meetings (note 6)	4,250	4,000	4,000
Government grant for scholarships	-	5,000	5,000
Unrestricted donations and miscellaneous items	-	484	-
	<u>36,750</u>	<u>36,984</u>	<u>35,500</u>
<b>EXPENSES</b>			
Scholarship awards (note 7)	10,000	10,000	10,000
General administration (note 8)	7,657	5,607	8,700
Review and accounting fees	4,500	4,500	4,500
Council meetings (note 6)	3,950	4,000	4,000
Amortization of tangible capital assets (note 5)	3,391	3,391	3,391
Tutorial program (note 11)	500	-	-
Mortgage interest	-	93	-
	<u>29,998</u>	<u>27,591</u>	<u>30,591</u>
<b>OPERATING SURPLUS</b>	6,752	9,393	<u>4,909</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>172,597</u>	<u>163,204</u>	
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>179,349</u></u>	<u><u>172,597</u></u>	

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, 2019**  
**( UNAUDITED )**

	2019	2018
	\$	\$
NET FINANCIAL ASSETS / (DEBT), BEGINNING OF YEAR	<u>8,344</u>	<u>(4,440)</u>
Operating surplus	6,752	9,393
Amortization of tangible capital assets (note 5)	<u>3,391</u>	<u>3,391</u>
Change during the year	<u>10,143</u>	<u>12,784</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>18,487</u></u>	<u><u>8,344</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, 2019**  
**( UNAUDITED )**

	2019	2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating surplus	6,752	9,393
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	3,391	3,391
	<u>10,143</u>	<u>12,784</u>
Change in non-cash working capital items:		
(Increase) / decrease in due from the Government of Bermuda	(2,900)	1,300
Increase in amount due from The Lyceum Trust	(9,527)	-
Increase in amount due from St. George's Parish Council	(685)	-
Decrease in accounts payable and accrued liabilities	(949)	(2,628)
Increase in deferred scholarship revenue	9,054	3,125
Net cash from operating activities (note 16)	<u>5,136</u>	<u>14,581</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Mortgage repayments	<u>-</u>	<u>(4,596)</u>
<b>NET INCREASE IN CASH</b>	5,136	9,985
<b>CASH, BEGINNING OF YEAR</b>	<u>13,476</u>	<u>3,491</u>
<b>CASH, END OF YEAR</b>	<u><u>18,612</u></u>	<u><u>13,476</u></u>

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

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**  
**(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, 2019**  
**(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 review 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.

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, 2019**  
**(UNAUDITED)**

**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, The Lyceum Trust, St. George's Parish Council, 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.

**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**  
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**4. CASH**

	2019	2018
	\$	\$
Unrestricted cash	15,960	10,351
Internally restricted cash (note 7)	<u>2,652</u>	<u>3,125</u>
	<u>18,612</u>	<u>13,476</u>

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

**5. TANGIBLE CAPITAL ASSETS**

	2019		
	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	57,647	7,915	65,562
Amortization	3,391	-	3,391
Closing Balance	<u>61,038</u>	<u>7,915</u>	<u>68,953</u>
Net Book Value	<u>40,682</u>	<u>-</u>	<u>40,682</u>

	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>

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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. The mortgage was retired in August 2017. The 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. RELATED PARTY TRANSACTIONS**

During the year, the Council had 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 (2018: \$18,000) of rental income from Radnor House via the BHC during the year. Rental payments from the BHC have always been timely.

The Government also provides funding to the Council for members attendance. During the fiscal year, attendance fees amounted to \$3,950 (2018: \$4,000) of which \$2,900 (2018: \$nil) is due from the Government at year end and \$200 (2018: \$1,900) is owed to council members for their attendance and are included in accounts payable and accrued liabilities.

**7. 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 16.

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(UNAUDITED)**

**8. GENERAL ADMINISTRATION**

	2019	2018
	\$	\$
Repairs and maintenance to cottage	2,595	-
Insurance for cottage	2,414	2,437
Tea party held	1,177	555
Website administration	433	433
Website hosting	360	360
Bank charges	355	277
Land tax	235	214
Public awareness and public meeting expenses	188	422
Post office box rental	85	85
Donation	-	250
Parish sign expense (note 9)	(185)	574
	7,657	5,607
	7,657	5,607

**9. PARISH SIGN**

The Council installed a sign which is comprised of two distinct and separate portions. One portion facing west showcases the Hamilton Parish Council welcoming traffic to Hamilton Parish whilst the other portion facing east shows the St. George's Parish Council welcoming traffic to St. George's Parish. The St. George's Parish Council has agreed to reimburse the Council for half the amount cost to construct and install the sign. Since the Council paid a total of \$1,370 over a three year period to construct and install the sign, half of that, or \$685, is owed by the St. George's Parish Council as at March 31, 2019. The amounts expensed and cash flows relating to the parish sign are disclosed in notes 8 and 16.

**10. THE LYCEUM TRUST MATCH GRANT**

On March 13, 2019, the Trustees of The Lyceum Trust (the "Trust") agreed to provide a matching grant of up to \$10,000 for funds raised by the Council towards the Scholarship Program during the period April 1, 2018 to March 31, 2019. Since the Council did manage to raise \$9,527 towards the Scholarship Program during that period, that amount has been recognized as being owed on March 31, 2019 and is reported in the statement of financial position as due from The Lyceum Trust and as deferred scholarship revenue. This matching grant is renewable only at the discretion of the Trust.

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**  
**(UNAUDITED)**

**11. TUTORIAL PROGRAM**

During the year, the Council launched a tutorial program. The program objectives are geared towards providing free tutorial services to boys who are enrolled in Middle School and also residing in Hamilton Parish. Tutors deliver their services within Hamilton Parish Council and their costs are born by the Council. The total program expense for the year is shown in the statement of operations and accumulated surplus.

**12. 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, 2019.

(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.

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**  
**(UNAUDITED)**

**12. FINANCIAL RISK MANAGEMENT (continued)**

(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.

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

**13. 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 maintains sufficient liquidity to meet its short-term obligations as they come due. The Council is not subject to any externally imposed capital requirements.

**14. BUDGET FIGURES**

These amounts represent the operating budget approved by the Council.

**15. SUBSEQUENT EVENT**

On April 1, 2019, the BHC gave written notice to the Council that they intend to vacate the Cottage by May 31, 2019. Subsequent to this, the BHC agreed to extend their tenancy on a month-by-month basis. As of the financial statement date, the Cottage has not been vacated. The Council is currently considering all options as it relates to moving forward with the premises once it is vacated.

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2019**  
**(UNAUDITED)**

**16. 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.

	2019	2018
	\$	\$
Cash received from renting out the cottage	18,000	18,000
Cash paid insuring the cottage	(2,332)	(2,437)
Cash paid maintaining the cottage	(2,330)	-
Cash paid for land tax	(107)	(214)
	<hr/>	<hr/>
Net cash received relating to the cottage	13,231	15,349
	<hr/>	<hr/>
Cash paid for bank fees	(355)	(279)
Interest paid on the mortgage	-	(93)
Cash paid for tutorial program	(500)	-
Cash received from government for attendance fees	1,350	5,300
Cash paid to members for attendance	(1,450)	(1,908)
Cash paid for parish sign	(500)	(574)
Cash paid for public meeting flyers	(187)	-
Cash paid for website hosting & administration	-	(793)
Contributions received for scholarship program	4,550	3,300
Grant received from government for scholarship program	-	5,000
Cash paid for scholarship and bursaries	(10,000)	(10,000)
Cash paid for PO Box fee	-	(85)
Cash paid for tea parties	(1,003)	(576)
Cash paid for donations	-	(250)
Miscellaneous items paid	-	190
	<hr/>	<hr/>
Net cash paid relating to operations ex-cottage	(8,095)	(768)
	<hr/>	<hr/>
Net cash provided by operating activities	5,136	14,581