

HAMILTON PARISH COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2020
(UNAUDITED)



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 PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Minister of Community Affairs and Sports

I have reviewed the accompanying financial statements of the Hamilton Parish Council that comprise the statement of financial position as at March 31, 2020, 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, 2020, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Hamilton, Bermuda
September 23, 2020

Heather Thomas, CPA, CFE, CGMA
Auditor General

HAMILTON PARISH COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
(UNAUDITED)

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash (note 4)	40,543	18,612
Scholarship contribution receivable	500	-
Due from the Government of Bermuda for attendance fees (note 6)	1,050	2,900
Due from The Lyceum Trust	-	9,527
Due from St George's Parish Council (note 9)	-	685
	42,093	31,724
LIABILITIES		
Accounts payable and accrued liabilities	750	1,058
Deferred scholarship revenue (note 7)	9,155	12,179
	9,905	13,237
NET FINANCIAL ASSETS	32,188	18,487
NON-FINANCIAL ASSETS		
Prepaid expense	180	180
Tangible capital assets (note 5)	37,291	40,682
Vacant, unused land (note 5)	120,000	120,000
	157,471	160,862
ACCUMULATED SURPLUS	189,659	179,349

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, 2020
(UNAUDITED)

	2020	2019	Budget (Note 13)
	\$	\$	\$
REVENUES			
Rental income (notes 6 & 14)	18,000	18,000	18,000
Donations towards scholarship program (note 7)	7,000	10,000	4,000
Government grant for Council meetings (note 6)	5,350	4,250	4,250
Government grant for scholarships (note 6)	5,000	-	5,000
Donated review and accounting services	4,500	4,500	4,500
Unrestricted donations and miscellaneous items	488	-	-
	<u>40,338</u>	<u>36,750</u>	<u>35,750</u>
EXPENSES			
Scholarship awards (note 7)	12,000	10,000	10,000
Council meetings (note 6)	5,350	3,950	4,000
General administration (note 8)	4,787	7,657	8,500
Review and accounting fees	4,500	4,500	4,500
Amortization of tangible capital assets	3,391	3,391	3,391
Tutorial program expenses (note 10)	-	500	-
	<u>30,028</u>	<u>29,998</u>	<u>30,391</u>
OPERATING SURPLUS	10,310	6,752	<u>5,359</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>179,349</u>	<u>172,597</u>	
ACCUMULATED SURPLUS, END OF YEAR	<u>189,659</u>	<u>179,349</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, 2020
(UNAUDITED)

	2020	2019
	\$	\$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	18,487	8,344
Operating surplus	10,310	6,752
Amortization of tangible capital assets	3,391	3,391
Change during the year	13,701	10,143
NET FINANCIAL ASSETS, END OF YEAR	<u>32,188</u>	<u>18,487</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, 2020
(UNAUDITED)

	2020	2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus	10,310	6,752
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	3,391	3,391
	13,701	10,143
Change in non-cash working capital items:		
Increase in scholarship contribution receivable	(500)	-
Decrease (increase) in due from the Government of Bermuda	1,850	(2,900)
Decrease (increase) in amount due from The Lyceum Trust	9,527	(9,527)
Decrease (increase) in amount due from St. George's Parish	685	(685)
Decrease in accounts payable and accrued liabilities	(308)	(949)
Increase in deferred scholarship revenue	(3,024)	9,054
	21,931	5,136
Net cash from operating activities (note 15)	21,931	5,136
CASH, BEGINNING OF YEAR	18,612	13,476
	40,543	18,612
CASH, END OF YEAR	40,543	18,612

The accompanying notes are an integral part of these financial statements

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020
(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 located on 11 Radnor Road (hereinafter 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.

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.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
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(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020
(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, the 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.

4. CASH

	2020	2019
	\$	\$
Unrestricted cash	31,888	15,960
Internally restricted cash (note 7)	<u>8,655</u>	<u>2,652</u>
	<u><u>40,543</u></u>	<u><u>18,612</u></u>

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

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
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5. TANGIBLE CAPITAL ASSETS

	2020		
	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	61,038	7,915	68,953
Amortization	3,391	-	3,391
Closing Balance	64,429	7,915	72,344
Net Book Value	37,291	-	37,291
	2019		
	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	57,647	7,915	65,562
Amortization	3,391	-	3,391
Closing Balance	61,038	7,915	68,953
Net Book Value	40,682	-	40,682

In 1971, with the establishment of the Parish Councils Act, the Cottage located on 11 Radnor Road (previously known as “Radnor House”) was transferred to the Council from the Hamilton Parish Vestry. An insurance valuation has estimated the replacement cost of the Cottage to be \$619,092.

In 1991, the Council secured a \$120,000 mortgage to purchase a plot of undeveloped land immediately behind the Cottage. The mortgage was retired in August 2017. The plot of land remains vacant and unused, and as such provides no utility towards the Cottage 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
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6. RELATED PARTY TRANSACTIONS

During the year, the Council continued to rent the Cottage to the Bermuda Housing Corporation (the “BHC”) on a simple month-by-month basis. Both the Council and the BHC are under the common control of the Government. The Council received \$18,000 (2019: \$18,000) of rental income from the Cottage via the BHC during the year. Rental payments from the BHC have been timely.

On April 1, 2019, the BHC gave written notice to the Council that they intend to vacate the Cottage by May 31, 2019, however that vacancy never materialized. A new written rental agreement has yet to be signed by the BHC. The Council is also considering all options as it relates to moving forward with the premises if it is vacated.

The Government also provides funding to the Council for members attendance and scholarship grants. During the fiscal year, attendance fees amounted to \$5,350 (2019: \$3,950) of which \$1,050 (2019: \$2,900) is due from the Government at year end and \$750 (2019: \$200) is owed to council members for their attendance and are included in accounts payable and accrued liabilities. During the fiscal year, Government grant for scholarships amounted to \$5,000 (2019: \$Nil).

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 15.

8. GENERAL ADMINISTRATION

	2020	2019
	\$	\$
Insurance for the Cottage	2,405	2,414
Tea party held	771	1,177
Website hosting	360	360
Bank charges	332	355
Land tax	300	235
Website administration	289	433
Public awareness and public meeting expenses	245	188
Post office box rental	85	85
Repairs and maintenance to the Cottage	-	2,595
Parish sign recovery (note 9)	-	(185)
	<u>4,787</u>	<u>7,657</u>

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

(UNAUDITED)

9. PARISH SIGN

During fiscal year 2018/2019, 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 the parish of St. George. There was an agreement with the St. George's Parish Council that once the sign was installed they would reimburse to the Council half of the total cost to construct and install the sign. During the current year, the St. George's Parish Council reimbursed its share towards the sign which amounted to \$685.

10. TUTORIAL PROGRAM

During fiscal year 2018/2019, 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 borne by the Council. The total program expense for the year is \$Nil (2019: \$500) and is included in the statement of operations and accumulated surplus.

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, 2020.

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.

The amounts outstanding at year end related to scholarship contribution receivable and due from the Government of Bermuda are current.

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

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

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.

The expected cash flows of financial liabilities for accounts payable and accrued liabilities are current.

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.

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

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 maintains 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.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020
(UNAUDITED)

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. When none of an entity's cash flows are related to investment or financing transactions, it is also particularly helpful to show to the reader cash amounts raised and spent from 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.

	2020	2019
	\$	\$
Cash received from renting the Cottage	18,000	18,000
Cash paid insuring the Cottage	(2,405)	(2,332)
Cash paid maintaining the Cottage	(265)	(2,330)
Cash paid for land tax	(300)	(107)
	<u>15,030</u>	<u>13,231</u>
Net cash received relating to the Cottage		
Cash paid for bank fees	(332)	(355)
Cash paid for tutorial program	-	(500)
Cash received from government for attendance fees	7,200	1,350
Cash paid to members for attendance	(1,850)	(1,450)
Cash received (paid) for parish sign (note 9)	685	(500)
Cash paid for public meeting expenses	(245)	(187)
Cash paid for website hosting & administration	(728)	-
Contributions received for scholarship program	500	4,550
Grant received from government for scholarship program	5,000	-
Matching grant from The Lyceum Trust	9,527	-
Cash paid for scholarships	(12,000)	(10,000)
Cash paid for PO Box fee	(85)	-
Cash paid for tea parties	(771)	(1,003)
	<u>6,901</u>	<u>(8,095)</u>
Net cash received/(paid) relating to operations		
Net cash provided by operating activities	<u><u>21,931</u></u>	<u><u>5,136</u></u>

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020
(UNAUDITED)

15. SUBSEQUENT EVENTS

a. The Lyceum Trust Match Grant

The Lyceum Trust (the “Trust”) is a supporter of the Council’s scholarship program. Subsequent to year (May 2020), the Trust provided a matching grant of \$9,000 for funds raised by the Council towards the Scholarship Program during the fiscal year. The Council managed to raise during the current year \$8,476 (2019: \$9,527) towards the Scholarship Program. This matching grant is renewable only at the discretion of the Trust and has a maximum matching value of \$10,000.

b. Impact of COVID-19

Subsequent to the year end in March 2020, the World Health Organization officially declared the outbreak of the novel coronavirus (COVID-19) a global pandemic. COVID-19 has caused significant disruption to businesses and economic activity in Bermuda and has resulted in a number of people being furloughed or laid off. To assist Hamilton Parish residents with the financial hardship caused by COVID-19, the Council donated \$1,300 to Hamilton Parish residents as of May 26, 2020. The Council also set aside an additional \$5,000, due to the uncertainty about the length and potential ongoing impact of the disturbance to assist those Hamilton Parish residents in financial hardship due to COVID-19.