

HAMILTON PARISH COUNCIL

FINANCIAL STATEMENTS

**MARCH 31, 2021
(UNAUDITED)**



Office of the Auditor General

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Minister of Youth, Culture 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, 2021, 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, 2021, and the results of its operations, changes in its 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 13, 2021

Heather Thomas, CPA, CFE, CGMA
Auditor General

HAMILTON PARISH COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021
(UNAUDITED)

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash (note 4)	35,061	40,543
Due from the Government of Bermuda for attendance (note 6)	1,950	1,050
Scholarship contribution receivable	-	500
	37,011	42,093
LIABILITIES		
Accounts payable and accrued liabilities	1,100	750
Deferred scholarship revenue (note 7)	6,155	9,155
	7,255	9,905
NET FINANCIAL ASSETS	29,756	32,188
NON-FINANCIAL ASSETS		
Prepaid expense	212	180
Tangible capital assets (note 5)	33,900	37,291
Vacant, unused land (note 5)	120,000	120,000
	154,112	157,471
ACCUMULATED SURPLUS	183,868	189,659

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, 2021
(UNAUDITED)

	2021	2020	Budget (Note 13)
	\$	\$	\$
REVENUES			
Donations towards scholarship program (note 7)	16,000	7,000	4,000
Rental income (note 6)	9,000	18,000	18,000
Government grant for Council meetings (note 6)	5,400	5,350	5,100
Donated review and accounting services	4,500	4,500	4,500
Government grant for scholarships (notes 6, 7)	-	5,000	5,000
Unrestricted donations and miscellaneous items	-	488	500
	<u>34,900</u>	<u>40,338</u>	<u>37,100</u>
EXPENSES			
Scholarship awards (note 7)	16,000	12,000	-
General administration (note 8)	11,400	4,787	35,000
Council meetings (note 6)	5,400	5,350	5,100
Review and accounting fees	4,500	4,500	4,500
Amortization of tangible capital assets (note 5)	3,391	3,391	3,391
	<u>40,691</u>	<u>30,028</u>	<u>47,991</u>
OPERATING (LOSS) / SURPLUS	(5,791)	10,310	<u>(10,891)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	189,659	179,349	
ACCUMULATED SURPLUS, END OF YEAR	<u>183,868</u>	<u>189,659</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, 2021
(UNAUDITED)

	2021	2020
	\$	\$
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>32,188</u>	<u>18,487</u>
Operating (loss)/surplus	(5,791)	10,310
Change in prepaid expense	(32)	-
Amortization of tangible capital assets	<u>3,391</u>	<u>3,391</u>
Change during the year	<u>(2,432)</u>	<u>13,701</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>29,756</u></u>	<u><u>32,188</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, 2021
(UNAUDITED)

	2021	2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss) / surplus	(5,791)	10,310
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	3,391	3,391
	(2,400)	13,701
 Change in non-cash working capital items:		
Decrease / (Increase) in scholarship contribution receivable	500	(500)
(Increase) / Decrease in due from the Government of Bermuda	(900)	1,850
Decrease in amount due from the Lyceum Trust	-	9,527
Decrease in amount due from St. George's Parish	-	685
Increase in prepaid expense	(32)	-
Increase / (Decrease) in accounts payable and accrued liabilities	350	(308)
Decrease in deferred scholarship revenue	(3,000)	(3,024)
	(5,482)	21,931
 CASH, BEGINNING OF YEAR	 40,543	 18,612
 CASH, END OF YEAR	 35,061	 40,543

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

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(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 an estimated useful life of 5 years.

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

c. Rent revenue

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

d. Government grant for council meetings

The Government of Bermuda (the “Government”) provides every parish council with a grant to fully fund meeting expenses. Such grants are automatically accrued as the Council incurs meeting expenses.

e. Unrestricted donations

Donations received from the public which are not restricted to any particular program or purpose are recognized when received.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

f. Scholarship program

Contributions made towards the scholarship program are recorded when received or when a written pledge to give a specified amount is provided and collectability is assured. Contributions are initially deferred and then recognized as revenue when the matching scholarship expenses are paid. Scholarship expenses are recorded when the awards are formally approved by the Council.

g. General expenses

Expenses are recognized when an obligation has arisen from services received or goods purchased. Expenses are measured at the fair value of the consideration paid or payable.

h. 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.

i. 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.

j. 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.

k. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are stated at their 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, 2021
(UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1. Financial instruments

The Council classifies its financial instruments under 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, 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 to fund its daily operations, cash flow, capital development and capital acquisitions.

4. CASH

	2021	2020
	\$	\$
Unrestricted cash	28,906	31,888
Internally restricted cash (note 7)	<u>6,155</u>	<u>8,655</u>
	<u><u>35,061</u></u>	<u><u>40,543</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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(UNAUDITED)

5. TANGIBLE CAPITAL ASSETS

	2021		
	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	64,429	7,915	72,344
Amortization	3,391	-	3,391
Closing Balance	67,820	7,915	75,735
Net Book Value	33,900	-	33,900
	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

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
NOTES TO THE FINANCIAL STATEMENTS
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6. RELATED PARTY TRANSACTIONS

Up until September 30, 2020, the Council rented the Cottage to the Bermuda Housing Corporation (the “BHC”) in a month-to-month lease. Both the Council and the BHC are under the common control of the Government. The Council received \$9,000 (2020: \$18,000) of rental income from the Cottage via the BHC during the year. Rental payments from the BHC were timely. Rental income is reported in the statement of operations and accumulated surplus. Since October 1, 2020, the Cottage has been vacated and undergoing repairs so that in due course, the Cottage is fit to be placed on the rental market once more.

The Government provides funding to the Council for member attendance of Council meetings. These grants are paid after the Parish Council has invoiced Government for the cost of their members’ attendance, provided that such invoices are supported by the signed minutes documenting the meetings. During the fiscal year, attendance fees reported in the statement of operations and accumulated surplus amounted to \$5,400 (2020: \$5,350). Of that amount, \$1,950 (2020: \$1,050) is due from the Government at year end and reported on the statement of financial position. \$1,100 (2020: \$750) is owed to council members for their attendance and is included in accounts payable and accrued liabilities.

The Government may also provide an additional grant to support the Council’s Scholarship Program. Such grants may only be awarded after the successful completion of an application process. During the fiscal year an amount of \$Nil (2020: \$5,000) was received for the Scholarship Program.

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. Cash contributed towards the scholarship program is treated as segregated components of the Council’s running cash balances. Cash restricted to the scholarship program is disclosed in note 4. Scholarship revenues and expenses are fully disclosed in the statement of operations and accumulated surplus. Deferred contributions are 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.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
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(UNAUDITED)

8. GENERAL ADMINISTRATION

	2021	2020
	\$	\$
Donations made	4,450	-
Insurance for cottage	2,708	2,405
Repairs and maintenance to cottage	2,270	-
Website administration	830	289
Website hosting	393	360
Bank charges	364	332
Land tax	300	300
Post office box rental	85	85
Tea party held	-	771
Public awareness and public meeting expenses	-	245
	11,400	4,787
	11,400	4,787

9. THE LYCEUM TRUST MATCHING GRANT

The Lyceum Trust (the “Trust”) is a supporter of the Council’s scholarship program. The Trust provided a matching grant of \$9,000 (2020: \$Nil) for funds raised by the Council 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. Contributions received from the Trust are recognized in accordance with accounting policies discussed in note 2(f).

During the fiscal year, the Council raised \$4,500 (2020: \$8,476) towards the Scholarship Program.

10. 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, 2021.

(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
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(UNAUDITED)

10. FINANCIAL RISK MANAGEMENT (*continued*)

(a) Credit risk (*continued*)

The amount outstanding at year end related to due from the Government of Bermuda and is 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.

(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.

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.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(UNAUDITED)

12. IMPACT OF COVID-19

The World Health Organization officially declared the outbreak of the novel coronavirus (COVID-19) a global pandemic on March 11, 2020. The Council considers the emergence of COVID-19 to be a non-adjusting event, and does not in the Council's opinion, cast doubt over the Council's ability to continue as a going concern.

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 \$4,450 (2020: \$Nil) in the form of grocery and electricity vouchers.

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. 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.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(UNAUDITED)

14. SUPPLEMENTAL CASH FLOW INFORMATION *(continued)*

	2021	2020
	\$	\$
Cash received from renting the Cottage	9,000	18,000
Cash paid to insure the Cottage	(2,708)	(2,405)
Cash paid to maintain the Cottage	(2,270)	(265)
Cash paid for land tax	(300)	(300)
	<hr/>	<hr/>
Net cash received relating to the Cottage	3,722	15,030
	<hr/>	<hr/>
Cash paid for bank fees	(364)	(332)
Cash donations made for COVID-19 relief	(4,350)	-
Cash received from government for attendance fees	4,500	7,200
Cash paid to members for attendance	(1,600)	(1,850)
Cash reimbursed for parish sign	-	685
Cash paid for public meeting expenses	-	(245)
Cash paid for website hosting & administration	(1,255)	(728)
Cash contributions received for scholarship program	950	500
Grant received from government for scholarship program	-	5,000
Matching grant from The Lyceum Trust	9,000	9,527
Cash paid for scholarships	(16,000)	(12,000)
Cash paid for PO Box fee	(85)	(85)
Cash paid for tea parties	-	(771)
	<hr/>	<hr/>
Net cash received relating to operations	9,204	6,901
	<hr/>	<hr/>
Net cash (used in) / provided by operating activities	<u>(5,482)</u>	<u>21,931</u>