

**HAMILTON PARISH COUNCIL**

**FINANCIAL STATEMENTS**

**MARCH 31, 2017**



## *Office of the Auditor General*

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### **REVIEW ENGAGEMENT REPORT**

To the Minister of Home Affairs

I have reviewed the statement of financial position of the Hamilton Parish Council as at March 31, 2017, and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended. My review was made in accordance with standards for review engagements generally accepted in Bermuda and Canada and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the Hamilton Parish Council.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention and causes me to believe that these financial statements are not, in all material respects, in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

The financial statements for the Hamilton Parish Council for the prior year were audited by me and I expressed an unqualified opinion on them in my report dated October 20, 2016.

Hamilton, Bermuda  
July 18, 2017

Heather Thomas, CPA, CFE, CGMA  
Auditor General

**HAMILTON PARISH COUNCIL**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017**  
**UNAUDITED**

	2017 \$ Unaudited (Note 15)	2016 \$ Audited
<b>FINANCIAL ASSETS</b>		
Cash (note 4)	3,491	14,559
Due from the Government of Bermuda (note 7)	1,300	3,800
	<u>4,791</u>	<u>18,359</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 7)	4,635	10,130
Deferred revenue (note 9)	-	5,833
Mortgage payable (note 6)	4,596	15,367
	<u>9,231</u>	<u>31,330</u>
<b>NET DEBT</b>	<u>(4,440)</u>	<u>(12,971)</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expense (note 8)	180	180
Tangible capital assets (note 5)	47,464	52,042
Vacant, unused land (note 5)	120,000	120,000
	<u>167,644</u>	<u>172,222</u>
<b>ACCUMULATED SURPLUS</b>	<u><u>163,204</u></u>	<u><u>159,251</u></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, 2017**

**UNAUDITED**

	2017 \$ Actual (Note 15) Unaudited	2016 \$ Actual Audited	Budget \$ Budget (Note 13) Unaudited
<b>REVENUES</b>			
Rental income (note 7)	18,000	18,000	18,000
Donated review and accounting services	4,500	7,900	6,900
Government grant for Council meetings (note 7)	4,050	3,800	5,000
Government grant for scholarships (note 9)	-	5,000	5,000
Scholarship donations (note 9)	9,583	3,500	4,000
Donations	317	-	-
	<u>36,450</u>	<u>38,200</u>	<u>38,900</u>
<b>EXPENSES</b>			
General administration (note 10)	8,684	10,561	10,278
Audit and accounting fees	4,500	7,900	6,900
Scholarship award (note 9)	5,000	5,000	5,000
Bursary awards (note 9)	5,000	5,000	2,500
Amortization of tangible capital assets (note 5)	4,578	4,974	4,974
Council meetings (note 7)	4,050	3,800	5,000
Mortgage interest (note 6)	685	1,364	1,394
	<u>32,497</u>	<u>38,599</u>	<u>36,046</u>
<b>OPERATING SURPLUS / (LOSS)</b>	3,953	(399)	2,854
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>159,251</u>	<u>159,650</u>	
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>163,204</u></u>	<u><u>159,251</u></u>	

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

**HAMILTON PARISH COUNCIL**  
**STATEMENT OF CHANGE IN NET DEBT**  
**FOR THE YEAR ENDED MARCH 31, 2017**

(UNAUDITED)

	2017 \$ Unaudited (Note 15)	2016 \$ Audited
NET DEBT, BEGINNING OF YEAR	(12,971)	(17,546)
Operating surplus (loss)	3,953	(399)
Amortization of tangible capital assets (note 5)	4,578	4,974
Decrease in net debt during the year	8,531	4,575
NET DEBT, END OF YEAR	(4,440)	(12,971)

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

**HAMILTON PARISH COUNCIL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

(UNAUDITED)

	2017 \$ Unaudited (Note 15)	2016 \$ Audited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating surplus (loss)	3,953	(399)
Adjustment for items not affecting cash:		
Amortization of tangible capital assets (note 5)	4,578	4,974
	<u>8,531</u>	<u>4,575</u>
Change in non-cash working capital items:		
Decrease in contribution receivable	-	1,600
Decrease (Increase) in due from the Government of Bermuda	2,500	(2,250)
(Decrease) Increase in accounts payable and accrued liabilities	(5,495)	3,646
(Decrease) Increase in deferred revenue	(5,833)	840
	<u>(297)</u>	<u>8,411</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Mortgage repayments (note 6)	(10,771)	(10,092)
<b>NET DECREASE IN CASH</b>	(11,068)	(1,681)
<b>CASH, BEGINNING OF YEAR</b>	<u>14,559</u>	<u>16,240</u>
<b>CASH, END OF YEAR</b>	<u><u>3,491</u></u>	<u><u>14,559</u></u>

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



**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(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 its useful life of 30 years. The furniture and fittings are amortized on a straight-line basis over their useful life of 5 years.

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

**c. Revenue recognition**

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

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

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

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

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

d. Expenses

Expenses are recognized when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration paid or payable. Scholarship awards are recorded as an expense when the award is formally approved by the Council and the student commences with their post-secondary education.

e. Donated goods and contributed services

Donated goods and services are recorded as received when a fair value can be reasonably estimated and when the goods and services would otherwise have been purchased or incurred.

Volunteers contribute time to assist the Council in carrying out its activities. Except for donated audit and accounting services, contributed services are not recognized in these financial statements due to the difficulty in determining their fair values.

f. Measurement uncertainty

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 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, 2017**  
**(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. 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.

**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**

	2017	2016
	\$	\$
Unrestricted cash	3,491	8,726
Internally restricted cash	<u>-</u>	<u>5,833</u>
	<u>3,491</u>	<u>14,559</u>

Restricted cash consists of funds donated for the scholarship program.

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**5. TANGIBLE CAPITAL ASSETS**

	2017		
	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	50,865	6,728	57,593
Amortization	3,391	1,187	4,578
Closing Balance	54,256	7,915	62,171
Net Book Value	47,464	-	47,464

  

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

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

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

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**6. MORTGAGE PAYABLE**

	2017	2016
	\$	\$
Balance, beginning of year	15,367	25,459
Less: principal repayment	<u>10,771</u>	<u>10,092</u>
Balance, end of year	<u>4,596</u>	<u>15,367</u>

On February 8, 2001, the Bank of N.T. Butterfield & Son Ltd. provided a mortgage secured by the land and cottage. Commencing March 2001, monthly instalments of principal and interest in the amount of \$955 were repayable. Interest is variable and currently payable at 7% per annum. Interest expense paid during the year amounted to \$685 (2016: \$1,364). The mortgage is expected to be fully retired in August 2017.

**7. RELATED PARTY TRANSACTIONS**

The Council has a tenancy agreement and a mortgage agreement with the Bermuda Housing Corporation (the "BHC"). Both the Council and the BHC are under the common control of the Government. The Council received \$18,000 (2016: \$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 \$4,050 (2016: \$3,800) of which \$1,300 (2016: \$3,800) is due from the Government at year end and \$4,500 (2016: \$4,250) 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.

**9. SCHOLARSHIP PROGRAM**

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



**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**9. SCHOLARSHIP PROGRAM (continued)**

Contributions towards the scholarship program are treated as a segregated component of the Council's running cash balance. As at the year end, \$ nil (2016: \$5,833) was restricted to the scholarship program and the deferred revenue amounting to \$5,833 was recognized during the year. During the year, the Council made a scholarship award of \$5,000 and two bursary awards of \$2,500 each. Since awards were greater than contributions to the program, there was no deferred revenue on March 31, 2017.

No grant was received from the Government during the year (2016: \$5,000).

**10. GENERAL ADMINISTRATION**

	2017	2016
	\$	\$
Repairs and maintenance to Cottage	2,875	5,880
Insurance	2,112	2,112
Tea party hosted in October	857	-
Loss to cancelled/rained out Tea Party in May	793	-
Public awareness and public meeting expenses	550	708
Website hosting	360	360
Parish sign	295	-
Website administration	275	401
Land tax	269	296
Bank charges	213	208
Post office box rental	85	85
Donations	-	300
Basketball court re-lining	-	70
Miscellaneous	-	141
	<hr/> 8,684	<hr/> 10,561
	<hr/> <hr/>	<hr/> <hr/>

**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, 2017.



**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**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**

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

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

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**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.

	2017	2016
	\$	\$
Cash received from renting out the cottage	18,000	18,000
Cash paid insuring the cottage	(2,112)	(2,112)
Cash paid maintaining the cottage	(8,754)	-
Land tax paid on the cottage	(135)	(405)
Net cash received relating to the cottage	<u>6,999</u>	<u>15,483</u>
Bank fees paid	(213)	(198)
Interest paid on the mortgage	(685)	(1,364)
Cash received from government for attendance fees	6,550	1,550
Cash paid to members for attendance	(1,050)	(1,130)
Cash paid for parish sign	(295)	-
Cash paid for public meeting flyers	(550)	(708)
Cash paid for website hosting & administration	(635)	(1,050)
Scholarship cash donation received from PACT	1,000	1,500
Grant received from government for scholarship program	-	5,000
Contributions received for scholarship program	-	620
Cash paid for the scholarship and two bursaries	(10,000)	(10,000)

**HAMILTON PARISH COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
**(UNAUDITED)**

**14. SUPPLEMENTAL CASH FLOW INFORMATION (continued)**

PO Box fee paid	(85)	(85)
Cash paid for tea parties	(1,333)	-
Cash paid for relining basketball court	-	(70)
Donation to Francis Patton for team trip	-	(300)
Cash paid for railway walk event	-	(787)
Miscellaneous	-	(50)
	<hr/>	<hr/>
Net cash paid relating to operations ex-cottage	(7,296)	(7,072)
	<hr/>	<hr/>
Net cash (used in) provided by operating activities	(297)	8,411

**15. CHANGE OF AUDIT TO REVIEW ENGAGEMENT**

In fiscal year 2016, the Ministry in consultation with all Parish Councils, agreed that the financial statements of the Council will be reviewed rather than audited. The scope of a review engagement is narrower when compared with an audit and therefore the level of assurance provided is lower.