

HAMILTON PARISH COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2013



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.gov.bm

INDEPENDENT AUDITOR'S REPORT

To the Minister of Home Affairs

I have audited the accompanying financial statements of the Hamilton Parish Council, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and accumulated surplus, change in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Hamilton Parish Council as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and accumulated surplus, change in its net debt and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Hamilton, Bermuda
March 31, 2014

A handwritten signature in black ink, consisting of a stylized 'H' followed by a long horizontal line.

Heather A. Jacobs Matthews, JP, FCA, CFE
Auditor General

HAMILTON PARISH COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2013

	2013	2012	April 1,
	\$	\$	2011
		Restated	Restated
		(Note 11)	(Note 11)
FINANCIAL ASSETS			
Cash and cash equivalents	10,793	4,244	10,404
Accounts receivable	36	-	-
	<u>10,829</u>	<u>4,244</u>	<u>10,404</u>
LIABILITIES			
Accounts payable and accrued liabilities	5,628	191	191
Mortgage payable (Note 5)	43,788	52,098	59,891
	<u>49,416</u>	<u>52,098</u>	<u>59,891</u>
NET DEBT	<u>(38,587)</u>	<u>(47,854)</u>	<u>(49,487)</u>
NON-FINANCIAL ASSETS			
Prepaid expenses	-	103	103
Tangible capital assets (Note 4)	186,964	191,938	187,810
	<u>186,964</u>	<u>192,041</u>	<u>187,913</u>
ACCUMULATED SURPLUS	<u><u>148,377</u></u>	<u><u>143,996</u></u>	<u><u>138,235</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, 2013

	2013 \$	2012 \$ Restated (Note 11)
REVENUES		
Rental income (Note 6)	18,000	18,000
Donated audit services	6,900	6,900
Government grant (Note 6)	3,900	1,000
Other	-	36
	<u>28,800</u>	<u>25,936</u>
EXPENSES		
Professional services	8,400	7,900
Amortization of tangible capital assets	4,974	3,787
General administration	4,064	4,826
Council meetings	3,900	-
Mortgage interest	3,081	3,662
	<u>24,419</u>	<u>20,175</u>
OPERATING SURPLUS	4,381	5,761
ACCUMULATED SURPLUS, BEGINNING OF YEAR	143,996	138,235
ACCUMULATED SURPLUS, END OF YEAR	<u>148,377</u>	<u>143,996</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, 2013

	2013 \$	2012 \$ Restated (Note 11)
NET DEBT, BEGINNING OF YEAR	(48,045)	(49,678)
Operating surplus	4,381	5,761
Change in prepaids	103	-
Acquisition of tangible capital assets (Note 4)	-	(7,915)
Amortization of tangible capital assets (Note 4)	4,974	3,787
Change in net debt during the year	9,458	1,633
NET DEBT, END OF YEAR	(38,587)	(48,045)

The accompanying notes are an integral part of these financial statements

HAMILTON PARISH COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013

	2013 \$	2012 \$ Restated (Note 11)
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus	4,381	5,761
Adjustment for items not affecting cash:		
Amortization of tangible capital assets (Note 4)	4,974	3,787
Change in non-cash working capital items:		
Increase in accounts receivable	(36)	-
Increase in accounts payable and accrued liabilities	5,437	-
Decrease in prepaid expenses	103	-
Net cash from operating activities	<u>14,859</u>	<u>9,548</u>
CASH FLOWS FROM CAPITAL ACTIVITY		
Purchase of tangible capital assets	<u>-</u>	<u>(7,915)</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Mortgage repayments	<u>(8,310)</u>	<u>(7,793)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,549	(6,160)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,244</u>	<u>10,404</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>10,793</u></u>	<u><u>4,244</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest expense paid	<u><u>3,145</u></u>	<u><u>3,777</u></u>

The accompanying notes are an integral part of these financial statements

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

1. AUTHORITY

The Hamilton Parish Council (the "Council") was established under the Parish Councils Act 1971. The main functions of the Council are to provide and maintain places of recreation and recreational facilities, to preserve and improve the general amenities of the parish and generally to promote the well-being of persons resident in the parish.

2. SIGNIFICANT ACCOUNTING POLICIES

Pursuant to standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants ("CPA") 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 set out below:

a. Cash and cash equivalents

Cash and cash equivalents include all cash on deposit with financial institutions that can be withdrawn without prior notice or penalty, and time deposits with an original maturity of 90 days or less.

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 being amortized on a straight-line basis over their useful life of 5 years.

c. Revenue recognition

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

d. 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. Contributed services are not recognized in these financial statements due to the difficulty in determining their fair values.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Use of estimates

These financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

f. 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.

g. Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Bermuda dollars at rates of exchange in effect at the statement of financial position date.

Revenues and expenses are translated at the exchange rate in effect at the transaction date.

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, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Adoption of CPA Canada Public Sector Accounting Standards

Effective April 1, 2012, the Council adopted the requirements of the CPA Canada Public Sector Accounting Standards PS 1201 and PS 3450. These financial statements are the first for which the Council has applied public sector accounting standards.

PSAB issued Section PS 3450 "Financial Instruments" in March 2011. This section proposes reporting on the nature and extent of risks associated with financial instruments held and issued by an entity. Financial instruments which are quoted in an active market will need to apply fair value measurement (e.g. equity investments or derivatives). All other non-derivative financial instruments will be measured at cost or amortized cost unless the entity elects to apply the fair value option. To support meaningful budget to actual comparisons, when fair value measurement is applied, the presentation of surplus/deficit will need to be reported both excluding and including any re-measurement gains or losses. The standard is effective for the Council's March 31, 2013 financial statements and the adoption of PS 3450 had no impact thereon.

In conjunction with Section PS 3450, PSAB also issued, Section 1201 which replaces the existing Section PS 1200, "Financial Statement Presentation", and includes a new statement of re-measurement gains and losses. The new statement reports unrealized gains and losses associated with financial instruments in the fair value category, exchange gains and losses associated with monetary assets and liabilities denominated in a foreign currency, amounts reclassified to the statement of operations upon de-recognition, and other comprehensive income reported when a public sector entity includes the results of its government business enterprises and partnerships in the financial statements. The standard is effective for the Council's March 31, 2013 financial statements and the adoption of PS 1201 had no impact thereon. Therefore, a statement of re-measurement and gains and losses was not presented as the Council's financial assets and liabilities are not subject to such changes.

k. Financial instruments

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. It is not practical to determine the fair value of the mortgage payable as the lender adjusts the underlying interest rate at regular intervals.

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 to fund its daily operations, cash flow, capital development and capital acquisitions.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

4. TANGIBLE CAPITAL ASSETS

	2013			
	Land	Cottage	Furniture & Fittings	Total
	\$	\$	\$	\$
Cost:				
Opening balance	120,000	101,720	7,915	229,635
Additions	-	-	-	-
Closing Balance	<u>120,000</u>	<u>101,720</u>	<u>7,915</u>	<u>229,635</u>
Accumulated Amortization:				
Opening balance	-	37,301	396	37,697
Amortization	-	<u>3,391</u>	<u>1,583</u>	<u>4,974</u>
Closing Balance	-	<u>40,692</u>	<u>1,979</u>	<u>42,671</u>
Net Book Value	<u>120,000</u>	<u>61,028</u>	<u>5,936</u>	<u>186,964</u>

The cottage "Radnor House" was vested in the Council (formerly Hamilton Parish Vestry) in 1958 at no cost. The land immediately next to the cottage was purchased by the Council in 1991. An insurance valuation has estimated the replacement value of the cottage property at \$491,287.

	2012			
	Land	Cottage	Furniture & Fittings	Total
	\$	\$	\$	\$
Cost:				
Opening balance	120,000	101,720	-	221,720
Additions	-	-	7,915	7,915
Closing Balance	<u>120,000</u>	<u>101,720</u>	<u>7,915</u>	<u>229,635</u>
Accumulated Amortization:				
Opening balance	-	33,910	-	33,910
Amortization	-	<u>3,391</u>	<u>396</u>	<u>3,787</u>
Closing Balance	-	<u>37,301</u>	<u>396</u>	<u>37,697</u>
Net Book Value	<u>120,000</u>	<u>64,419</u>	<u>7,519</u>	<u>191,938</u>

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

5. MORTGAGE PAYABLE

	2013	2012
	\$	\$
Balance, beginning of year	52,098	59,891
Less: principal repayment	<u>8,310</u>	<u>7,793</u>
Balance, end of year	<u>43,788</u>	<u>52,098</u>

On February 8, 2001, the Bank of N.T. Butterfield & Son Ltd. provided a mortgage secured by the land and cottage. Interest is variable and currently payable at 7% per annum.

Commencing March 2001, monthly instalments of principal and interest in the amount of \$955 were repayable.

Principal and interest repayments required in each of the next four years are as follows:

Year	Amount
	\$
2014	11,455
2015	11,455
2016	11,455
2017	<u>11,455</u>
	<u>45,820</u>

6. RELATED PARTIES

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 of Bermuda. The Council received \$18,000 (2012: \$18,000) of rental income from the cottage via the BHC during the year. Rental payments are current. The government also provides funding to the Council for members attendance. During the fiscal year, attendance fees amounted to \$3,900.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

7. EXPENSES BY OBJECT

	2013	2012
	\$	\$
Audit and accounting fees	8,400	7,900
Amortization of tangible capital assets (Note 4)	4,974	3,787
Members remuneration	3,900	-
Mortgage interest	3,081	3,662
Insurance	2,165	2,127
Repairs and maintenance	753	870
Advertising	420	437
Donations	400	800
Land tax	218	217
Post office box rental	95	65
Bank charges	13	10
Sponsorship	-	300
	<u>24,419</u>	<u>20,175</u>

8. FINANCIAL RISK MANAGEMENT

The Council is exposed to various risks through its financial instruments. The Council has 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, 2013.

Credit risk

Credit risk arises from cash held with banks and accounts receivable. The maximum exposure to credit risk is equal to the carrying values of these financial assets. It is the Council's opinion that it is not exposed to significant credit risk.

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.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

8. FINANCIAL RISK MANAGEMENT (continued)

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.

Foreign exchange risk

The Council's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

Interest risk

The Council is exposed to changes in interest rates, which may impact interest revenue on cash deposits and also interest expense on the mortgage payable.

9. CAPITAL MANAGEMENT

The Council's objective when managing capital is to hold sufficient surplus to enable it to withstand negative unexpected financial events. The Council seeks to achieve this objective through receipt of rental income, grants from the government and maintaining a surplus. 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.

10. BUDGET

Given the small size and simple nature of the Council, no budget was prepared for the 2013 fiscal year; hence its omission from the statement of operations and accumulated surplus.

11. IMPACT OF CONVERSION ON ACCUMULATED SURPLUS

The following changes have been implemented to comply with PSAB:

	Previously			Previously		
	Stated	Adjustment	Restated	Stated	Adjustment	Restated
	2012	2012	2012	2011	2011	2011
	\$	\$	\$	\$	\$	\$
Internally restricted net assets:						
Invested in capital assets	129,316	(129,316)	-	117,395	(117,395)	-
Unrestricted net assets	14,680	(14,680)	-	20,840	(20,840)	-
Accumulated surplus	-	143,996	143,996	-	138,235	138,235

There was no impact on the operating surplus of prior periods.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

12. COMPARATIVE FIGURES

Certain comparative figures have been restated and reclassified to conform to the current year's presentation.