

HAMILTON PARISH COUNCIL
FINANCIAL STATEMENTS
MARCH 31, 2014



Office of the Auditor General

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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, 2014, and the statements of operations and accumulated surplus, change in net debt 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.

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, 2014, and the results of its operations and accumulated surplus, changes in its net debt and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

A handwritten signature in dark ink, consisting of stylized initials 'HJM' followed by a long horizontal line.

Hamilton, Bermuda
April 9, 2015

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

HAMILTON PARISH COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash (note 4)	9,929	10,829
Due from the Government of Bermuda (note 7)	4,200	-
	<u>14,129</u>	<u>10,829</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	5,660	5,628
Mortgage payable (note 6)	34,920	43,788
	<u>40,580</u>	<u>49,416</u>
NET DEBT	<u>(26,451)</u>	<u>(38,587)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses (note 8)	180	-
Tangible capital assets (note 5)	61,990	66,964
Vacant, unused land (note 5)	120,000	120,000
	<u>182,170</u>	<u>186,964</u>
ACCUMULATED SURPLUS	<u><u>155,719</u></u>	<u><u>148,377</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, 2014

	2014 \$	2013 \$
REVENUES		
Rental income (note 7)	18,000	18,000
Website donations (note 8)	7,822	-
Donated audit services	6,900	6,900
Government grant (note 7)	5,550	3,900
Scholarship donations (note 9)	2,530	-
	<u>40,802</u>	<u>28,800</u>
EXPENSES		
General administration (note 10)	12,448	4,064
Audit and accounting fees	7,900	8,400
Council meetings	5,550	3,900
Amortization of tangible capital assets (note 5)	4,974	4,974
Mortgage interest	2,588	3,081
	<u>33,460</u>	<u>24,419</u>
OPERATING SURPLUS	7,342	4,381
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>148,377</u>	<u>143,996</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>155,719</u></u>	<u><u>148,377</u></u>

The accompanying notes are an integral part of these financial statements

HAMILTON PARISH COUNCIL
STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2014

	2014 \$	2013 \$
NET DEBT, BEGINNING OF YEAR	<u>(38,587)</u>	<u>(48,045)</u>
Operating surplus	7,342	4,381
Change in prepaids	(180)	103
Amortization of tangible capital assets (note 5)	<u>4,974</u>	<u>4,974</u>
Change in net debt during the year	<u>12,136</u>	<u>9,458</u>
NET DEBT, END OF YEAR	<u><u>(26,451)</u></u>	<u><u>(38,587)</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, 2014

	2014	2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus	7,342	4,381
Adjustment for items not affecting cash:		
Amortization of tangible capital assets (note 5)	<u>4,974</u>	<u>4,974</u>
	12,316	9,355
Change in non-cash working capital items:		
Increase in due from the Government of Bermuda	(4,200)	-
Increase in accounts payable and accrued liabilities	32	5,437
(Increase) decrease in prepaid expenses	<u>(180)</u>	<u>103</u>
Net cash from operating activities	<u>7,968</u>	<u>14,895</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Mortgage repayments (note 6)	<u>(8,868)</u>	<u>(8,310)</u>
NET (DECREASE) INCREASE IN CASH	(900)	6,585
CASH, BEGINNING OF YEAR	<u>10,829</u>	<u>4,244</u>
CASH, END OF YEAR	<u><u>9,929</u></u>	<u><u>10,829</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest expense paid	<u><u>2,588</u></u>	<u><u>3,145</u></u>

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

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

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 government on matters affecting the general welfare of those living in the parish; as needed acquire, hold and dispose of property 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 ("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

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. 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.

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.

Conditional donations, if any, are recorded when the condition(s) on which they depend are substantially met.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

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

f. Use of estimates

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. 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, 2014

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 carrying value of cash, due from the Government of Bermuda 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 (the "Government") to fund its daily operations, cash flow, capital development and capital acquisitions.

4. CASH

	2014	2013
	\$	\$
Unrestricted cash	7,399	10,829
Internally restricted cash	<u>2,530</u>	<u>-</u>
	<u>9,929</u>	<u>10,829</u>

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

HAMILTON PARISH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

5. CAPITAL ASSETS

	2014		
	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	40,692	1,979	42,671
Amortization	3,391	1,583	4,974
Closing Balance	44,083	3,562	47,645
Net Book Value	57,637	4,353	61,990

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 value of Radnor House to be \$491,287.

In 1991, the Council secured a \$120,000 mortgage to purchase a plot of undeveloped land immediately behind the cottage. This plot of land remains vacant and unused, and as such provides no utility towards Radnor House or anything else.

	2013		
	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	37,301	396	37,697
Amortization	3,391	1,583	4,974
Closing Balance	40,692	1,979	42,671
Net Book Value	61,028	5,936	66,964

HAMILTON PARISH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

6. MORTGAGE PAYABLE

	2014	2013
	\$	\$
Balance, beginning of year	43,788	52,098
Less: principal repayment	<u>8,868</u>	<u>8,310</u>
Balance, end of year	<u>34,920</u>	<u>43,788</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 three years are as follows:

<u>Year</u>	<u>Amount</u>
	\$
2015	11,455
2016	11,455
2017	<u>12,010</u>
	<u>34,920</u>

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 (2013: \$18,000) of rental income from the cottage 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 \$5,550 (2013: \$3,900) of which \$4,200 (2013: \$nil) is due from the Government at year end. Of the total accounts payable and accrued liabilities amount of \$5,660, \$5,550 (2013: \$3,900) is owed to council members for their attendance.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

8. WEBSITE

On October 23, 2013, the Council launched their new and first ever website. The purpose of the website is to aid in the ongoing management and administration of the Council, as well as to provide information about the Council to the public. During the year, the Council received \$7,822 in donations to develop and administer the new website. The Council spent \$7,611 developing the website, of which \$3,462 was related to planning, uploading graphics, content and inputting data. The remaining balance of \$4,149 was related to coding, infrastructural developing and the testing thereof.

The Council has a formal hosting agreement in place with a local vendor. The annual hosting expense of \$360 was paid after the launch of the website resulting in a prepaid balance of \$180 on March 31, 2014.

9. SCHOLARSHIP PROGRAM

On November 19, 2013, the Council officially launched their scholarship program and from that point began fundraising. During the fiscal year, \$2,530 was pledged and received from various sources. All the donated assets were in cash form. The donated cash is reserved for the scholarship program and is a segregated component of the Council's total cash balance.

10. GENERAL ADMINISTRATION

	2014	2013
	\$	\$
Website planning, graphics, data input (Note 8)	7,611	-
Insurance	2,131	2,165
Repairs and maintenance	1,513	753
Website administration	367	-
Land tax	218	218
Advertising	194	420
Website hosting	180	-
Bank charges	124	13
Post office box rental	110	95
Donations	-	400
	<u>12,448</u>	<u>4,064</u>

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014

11. 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, 2014.

(a) Credit risk

Credit risk arises from cash held with banks. 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.

(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.

(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 revenue on cash deposits and also interest expense on the mortgage payable.

HAMILTON PARISH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

12. 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.

13. BUDGET

Given the small size and simple nature of the Council, no budget was prepared for the 2014 fiscal year; hence its omission from the statement of operations and accumulated surplus.

14. SUBSEQUENT EVENTS

On April 10, 2014, the council members donated their attendance fees to the scholarship program.

On August 7, 2014, the Council received \$5,000 from the Ministry of Home Affairs as a result of a pledge they made towards the scholarship program on May 13, 2014.

On August 25, 2014, the Council made a scholarship award of \$5,000 and a bursary award of \$2,500.