

HAMILTON PARISH COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2015



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, 2015, 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, 2015, and the results of its operations, change 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 black ink, appearing to read 'HJM', followed by a long horizontal line.

Hamilton, Bermuda
November 12, 2015

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

HAMILTON PARISH COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

	2015 \$	2014 \$ Restated (note 14)
FINANCIAL ASSETS		
Cash (note 4)	16,240	9,929
Contribution receivable (note 9)	1,600	-
Due from the Government of Bermuda (note 7)	<u>1,550</u>	<u>4,200</u>
	<u>19,390</u>	<u>14,129</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	6,484	5,660
Deferred revenue	4,993	2,530
Mortgage payable (note 6)	<u>25,459</u>	<u>34,920</u>
	<u>36,936</u>	<u>43,110</u>
NET DEBT	<u>(17,546)</u>	<u>(28,981)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	180	180
Tangible capital assets (note 5)	57,016	61,990
Vacant, unused land (note 5)	<u>120,000</u>	<u>120,000</u>
	<u>177,196</u>	<u>182,170</u>
ACCUMULATED SURPLUS	<u><u>159,650</u></u>	<u><u>153,189</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, 2015

	2015 \$	2014 \$ Restated (note 14)
REVENUES		
Rental income (note 7)	18,000	18,000
Donated audit and accounting services	7,900	6,900
Government grant for Council meetings (note 7)	5,300	5,550
Government grant for scholarships (note 9)	5,000	-
Scholarship donations (note 9)	4,100	-
Website donations (note 8)	-	7,822
	<u>40,300</u>	<u>38,272</u>
EXPENSES		
Audit and accounting fees	7,900	7,900
General administration (note 10)	6,171	12,448
Council meetings (note 7)	5,300	5,550
Scholarship award (note 9)	5,000	-
Amortization of tangible capital assets (note 5)	4,974	4,974
Bursary award (note 9)	2,500	-
Mortgage interest (note 6)	1,994	2,588
	<u>33,839</u>	<u>33,460</u>
OPERATING SURPLUS	6,461	4,812
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>153,189</u>	<u>148,377</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>159,650</u></u>	<u><u>153,189</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, 2015

	2015 \$	2014 \$
NET DEBT, BEGINNING OF YEAR	<u>(28,981)</u>	<u>(38,587)</u>
Operating surplus	6,461	4,812
Change in prepaids	-	(180)
Amortization of tangible capital assets (note 5)	<u>4,974</u>	<u>4,974</u>
Change in net debt during the year	<u>11,435</u>	<u>9,606</u>
NET DEBT, END OF YEAR	<u><u>(17,546)</u></u>	<u><u>(28,981)</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, 2015

	2015	2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating surplus	6,461	4,812
Adjustment for items not affecting cash:		
Amortization of tangible capital assets (note 5)	<u>4,974</u>	<u>4,974</u>
	11,435	9,786
Change in non-cash working capital items:		
Increase in contribution receivable	(1,600)	-
Decrease (increase) in due from the Government of Bermuda	2,650	(4,200)
Increase in accounts payable and accrued liabilities	824	32
Increase in deferred revenue	2,463	2,530
Increase in prepaid expenses	<u>-</u>	<u>(180)</u>
Net cash from operating activities	<u>15,772</u>	<u>7,968</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Mortgage repayments (note 6)	<u>(9,461)</u>	<u>(8,868)</u>
NET INCREASE (DECREASE) IN CASH	6,311	(900)
CASH, BEGINNING OF YEAR	<u>9,929</u>	<u>10,829</u>
CASH, END OF YEAR	<u><u>16,240</u></u>	<u><u>9,929</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest expense paid	<u><u>1,994</u></u>	<u><u>2,588</u></u>

The accompanying notes are an integral part of these financial statements

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

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 ("PSAB") of the Chartered Professional Accountants of Canada ("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 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 external 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 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 specified purpose.

HAMILTON PARISH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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. 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, 2015

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, contribution receivable, 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

	2015	2014
	\$	\$
Unrestricted cash	11,247	7,399
Restricted cash	<u>4,993</u>	<u>2,530</u>
	<u>16,240</u>	<u>9,929</u>

Restricted cash consists of funds donated for the scholarship program.

HAMILTON PARISH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

5. TANGIBLE CAPITAL ASSETS

	2015		
	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	44,083	3,562	47,645
Amortization	3,391	1,583	4,974
Closing Balance	47,474	5,145	52,619
Net Book Value	54,246	2,770	57,016

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 \$506,224.

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 Radnor House or anything else.

	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

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

6. MORTGAGE PAYABLE

	2015	2014
	\$	\$
Balance, beginning of year	34,920	43,788
Less: principal repayment	<u>9,461</u>	<u>8,868</u>
Balance, end of year	<u>25,459</u>	<u>34,920</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:

Year	Amount
	\$
2016	11,455
2017	<u>14,004</u>
	<u>25,459</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 (2014: \$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 \$5,300 (2014: \$5,550) of which \$1,550 (2014: \$4,200) is due from the Government at year-end.

The corresponding amounts, \$5,300 (2014: \$5,550) are owed to council members for their attendance and are included in accounts payable and accrued liabilities.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

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 2014 fiscal 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 with a prepaid balance of \$180 on March 31, 2015.

9. SCHOLARSHIP PROGRAM

On November 19, 2013, the Council officially launched their scholarship program and from that point began fundraising. During the fiscal year, \$6,563 (2014: \$2,530) was pledged from various sources, of which \$1,600 (2014: \$Nil) was receivable at year-end. All contributions were in the form of cash.

Contributions towards the scholarship program are treated as a segregated component of the Council's running cash balance. As at year-end, \$4,993 (2014: \$2,530) was restricted for scholarship and bursary awards.

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.

10. GENERAL ADMINISTRATION

	2015	2014
	\$	\$
Insurance	2,112	2,131
Advertising and public meeting	1,043	194
Railway walk event	787	-
Donations	520	-
Website administration	446	367
Website hosting	360	180
Repairs and maintenance	320	1,513
Bank charges	280	124
Land tax	218	218
Post office box rental	85	110
Website planning, graphics, data input (note 8)	-	7,611
	<u>6,171</u>	<u>12,448</u>

HAMILTON PARISH COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

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, 2015.

(a) Credit risk

Credit risk arises from cash held with banks and receivables. 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 expense on the mortgage payable.

HAMILTON PARISH COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

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 2015 fiscal year; hence its omission from the statement of operations and accumulated surplus.

14. PRIOR PERIOD ADJUSTMENT

During the fiscal year, the Council determined that scholarship donations totalling \$2,530 previously reported as revenues in the prior year should have been recorded as deferred revenue.

As a result, prior year revenues, deferred revenue, operating surplus and accumulated surplus have been restated accordingly.

The net impact of the adjustment to the previously reported March 31, 2014 financial statements is as follows:

	<u>Revenues</u>	<u>Deferred Revenue</u>	<u>Operating Surplus</u>	<u>Accumulated Surplus</u>
	\$	\$	\$	\$
As previously stated (March 31, 2014)	40,802	Nil	7,342	155,719
As restated	38,272	2,530	4,812	153,189

15. COMPARATIVE FIGURES

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

16. SUBSEQUENT EVENTS

After discussions held over the course of April 2015, the Council intends to sell the vacant plot of unused land described in note 5. The Council will formally advise the Ministry of Home Affairs of its intentions. If the Ministry has no objections, the land will be placed on the open market for sale. The intent is to use most of the proceeds to fund a scholarship endowment, with a minority portion going towards paying off the mortgage and completing certain repairs on Radnor House.