



CAYMAN ISLANDS GOVERNMENT

***Ministry of Finance Tourism & Development
Public Finance***

Annual Financial Statements

For the year ending 30 June 2012

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MINISTRY OF FINANCE TOURISM & DEVELOPMENT – PUBLIC FINANCE
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
JUNE 30, 2012

These financial statements have been prepared by the Ministry of Finance, Tourism and Development – Public Finance in accordance with the provisions of the Public Management and Finance Law (2012 Revision).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2012 Revision).

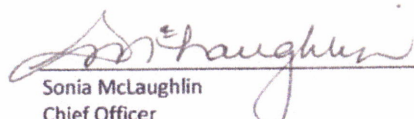
As Chief Officer I am responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of Public Finance.

As Chief Officer and Chief Financial Officer we are responsible for the preparation of Public Finance financial statements, representations and judgements made in these statements.

To the best of our knowledge these statements:

- (a) fairly reflect the financial position as at June 30th, 2012 and performance for the 2011/12 financial year ended 30 June 2012; and
- (b) comply with some of the International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.


Sonia McLaughlin
Chief Officer
Portfolio of Finance and Economics

Date: 3 February 2014


Nina Vandine
Chief Financial Officer

Date: Feb 3, 2014

Auditor General's Report

**To the Chief Officer of the Ministry of Finance, Tourism and Development – Public Finance
and the Members of the Legislative Assembly of the Cayman Islands**

I have audited the accompanying financial statements for the **Ministry of Finance, Tourism and Development – Public Finance** ("Public Finance") which comprise the statement of financial position as at 30 June 2012 and the statement of financial performance, statement of changes in net worth and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 6 to 23 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Public Sector Accounting Standards, 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 for the Financial Statements

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 upon 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 qualified audit opinion.

Bases for Qualified Opinion

Property, plant and equipment

Public Finance's buildings and leasehold improvements at 30 June 2012 are not carried pursuant to the revaluation model. No evaluation was done to determine the effect of any changes in the value of buildings and leasehold improvements. Consequently, I have not been able to verify the valuation of the recorded buildings and leasehold improvements, and with it, have not able to verify the reasonableness of the related depreciation expenses.

With the foregoing, I have not been able to verify if the reported balance of property, plant and equipment at 30 June 2012 is fairly stated, and depreciation, and other related gains/losses, as well as relevant disclosures affected by the scope limitation.

Warehousing Fees

Due to the lack of supporting documents, I have not been able to verify the completeness of Warehousing Fees under the sale of goods and services, sub-classified in Note 10 to the financial statements as general sales, which is reported at \$973 thousand for the year ended 30 June 2012.

Net Worth and Depreciation Expense

Due to the lack of revaluation of buildings and leasehold improvements, I have not been able to verify the extent by which revaluation surplus, a component of net worth, and the depreciation expense could be understated during the year ended 30 June 2012. Consequently, I also have not been able to verify the fairness of the reported total net worth at 30 June 2012.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion the financial statements present fairly, in all material respects, the financial position of Public Finance as of 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Emphasis of matter

Without further qualifying my opinion, I draw attention to Note 18 to the financial statements which report that the total annual amounts incurred for Output Group numbers FAE5, FAE7, FAE10 and FAE11 exceeded the respective amounts approved in the appropriation law, however the Output Group in aggregate resulted into favourable variance, as presented in Note 18.



Alastair J. Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
3 February 2014

MINISTRY OF FINANCE TOURISM & DEVELOPMENT - PUBLIC FINANCE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

Prior Year Actual \$'000		Note	Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	Current Assets					
27,867	Cash and cash equivalents	2	11,297	33,843	33,676	22,546
5,630	Trade receivables	3	4,500	2,102	2,102	(2,398)
6,879	Other receivables	3	28	239	239	211
88	Prepayments	4	302	31	31	(271)
40,464	Total Current Assets		16,127	36,215	36,048	20,088
	Non-Current Assets					
-	Prepayments	4	231	-	-	(231)
4,367	Property, plant and equipment	5	5,435	7,827	8,002	2,392
1,977	Intangible Assets	6	1,977	-	-	(1,977)
6,344	Total Non-Current Assets		7,643	7,827	8,002	184
46,808	Total Assets		23,770	44,042	44,050	20,272
	Current Liabilities					
245	Trade payables	7	113	3	26	(110)
1,535	Other payables and accruals	7	2,947	1,907	1,884	(1,040)
404	Employee entitlements	8	447	311	311	(136)
32,362	Repayment of surplus	22	7,363	23,262	23,262	15,899
34,546	Total Current Liabilities		10,870	25,483	25,483	14,613
34,546	Total Liabilities		10,870	25,483	25,483	14,613
12,262	Net Assets		12,900	18,559	18,567	5,659
	NET WORTH					
12,358	Contributed capital		13,358	3,805	3,813	(9,553)
(96)	Accumulated surpluses/(deficits)		(458)	14,754	14,754	15,212
12,262	Total Net Worth		12,900	18,559	18,567	5,659

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE TOURISM & DEVELOPMENT - PUBLIC FINANCE
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2012

Prior Year Actual \$'000			Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	Revenue					
17,277	Sale of goods and services	9	16,629	16,899	17,484	270
1	Investment revenue	10	1			(1)
-	Other revenue	18	139	-	-	(139)
17,278	Total Revenue		16,769	16,899	17,484	130
	Expenses					
13,511	Personnel costs	11	13,958	13,553	14,302	(405)
3,586	Supplies and consumables	12	2,847	2,748	2,751	(99)
312	Depreciation	5	321	598	431	277
-	(Gains)/losses on foreign exchange transactions	13	2	-	-	(2)
74	(Gains)/losses on disposal/revaluation of property, plant and equipment	13	(1)	-	-	1
-	(Gains)/losses from derecognition of assets	13	(13)	-	-	13
17,483	Total Expenses		17,114	16,899	17,484	(215)
(205)	Deficit for the period		(345)	-	-	345

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE TOURISM & DEVELOPMENT - PUBLIC FINANCE
GOVERNMENT OF THE CAYMAN ISLANDS
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 JUNE 2012

	Contributed Capital \$'000	Accumulated Surplus/(deficits) \$'000	Total Net worth \$'000	Original Budget \$'000	Final Budget \$'000	Variance vs Actual) \$'000	(Orig vs Actual)
Balance at 30 June 2010	10,602	180	10,782	15,344	15,344		4,562
Changes in accounting policy	-	-	-	-	-		-
Prior Year Adjustments	-	(71)	(71)	-	-		71
Restated balance	10,602	109	10,711	15,344	15,344		4,633
Changes in net worth for 2010/11							
Equity Investment from Cabinet	1,756	-	1,756	2,215	2,215		459
Surplus/(deficit)for the period 2010/11	-	(205)	(205)	-	-		205
	1,756	(205)	1,551	2,215	2,215		664
Balance at 30 June 2011 carried forward	12,358	(96)	12,262	17,559	17,559		5,297
Balance at 30 June 2011 brought forward	12,358	(96)	12,262	17,559	17,559		5,297
Changes in net worth for 2010/11							
Prior Year Adjustments	-	(17)	(17)	-	-		17
Restated balance	12,358	(113)	12,245	17,559	17,559		5,314
Changes in net worth for 2011/12							
Equity Investment from Cabinet	1,000	-	1,000	1,000	1,008		-
Surplus/(deficit)for the period 2011/12	-	(345)	(345)	-	-		345
	1,000	(345)	655	1,000	1,008		345
Balance at 30 June 2012	13,358	(458)	12,900	18,559	18,567		5,659

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE TOURISM & DEVELOPMENT - PUBLIC FINANCE
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

Prior Year Actual \$'000		Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES				
	<i>Receipts</i>				
14,092	Outputs to Cabinet	15,432	14,132	14,132	(1,300)
1,674	Sale of goods and services	1,960	2,609	2,609	649
1	Interest received	1	-	-	(1)
445	Other receipts	6,959	-	-	(6,959)
	<i>Payments</i>				
(13,477)	Personnel costs	(13,896)	(13,553)	(13,712)	343
(3,824)	Supplies and consumables	(2,613)	(2,906)	(2,906)	(293)
(75)	Other payments	(2)	-	-	2
(1,164)	Net cash flows from operating activities	7,841	282	123	(7,559)
	CASH FLOWS FROM INVESTING ACTIVITIES				
(1,116)	Purchase of property, plant and equipment	(415)	(1,000)	(1,008)	(585)
2	Proceeds from sale of property, plant and equipment	4	-	-	(4)
(1,114)	Net cash flows from investing activities	(411)	(1,000)	(1,008)	(589)
	CASH FLOWS FROM FINANCING ACTIVITIES				
1,756	Equity Investment	1,000	1,000	1,000	-
-	Repayment of Surplus	(25,000)	-	-	25,000
1,756	Net cash flows from financing activities	(24,000)	1,000	1,000	25,000
(522)	Net increase/(decrease) in cash and cash equivalents	(16,570)	282	115	16,852
28,389	Cash and cash equivalents at beginning of period	27,867	33,561	33,561	5,694
27,867	Cash and cash equivalents at end of period	11,297	33,843	33,676	22,546

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

Description and principal activities

The Ministry of Finance, Tourism and Development-Public Finance ("Public Finance") is a Government owned entity as defined by section 2 of the Public Management and Finance Law (2012 Revision) ("PMFL") and it is domiciled in the Cayman Islands.

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Minister of Finance, Tourism and Development – Public Finance as defined in the Annual Plan and Estimates for the Government of Cayman Islands for the financial year ending 30 June 2012. The purpose of Public Finance is to develop, implement and maintain macro-economic and budgetary policies and maintain measures; to manage the finances of the government and exercise supervision and control in all matters relating to the financial affairs of the Cayman Islands. Public Finance consists of several departments, including Budget and Management Unit, Customs Department, Economics and Statistics Office, Finance Administration, Internal Audit, Revenue Unit, Risk Management and Treasury.

Note 1: Significant Accounting Policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting. Where additional guidance is required, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board are used.

IPSAS 31 (Intangible Assets) has been adopted for use and will impact the statement of financial position for a reclassification between property plant and equipment and intangible assets.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of Preparation

The financial statements are presented in Cayman Islands dollars and are prepared on the accrual basis of accounting, unless otherwise stated. The measurement base applied to these financial statements is the historical cost basis, unless otherwise stated.

Changes in Accounting Policies

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Budget Amounts

The original and final budget amounts for the financial year are as presented in the 2011/2012 Annual Budget Statement this is rolled up into the Annual Plan and Estimates which was approved by the Legislative Assembly. As required by the PMFL, budgets are presented in the same basis as the annual financial statements.

Judgments and Estimates

The preparation of financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

Changes in Accounting Estimates

There have been no changes in accounting estimates as defined by IPSAS 3.

MINISTRY OF FINANCE TOURISM & DEVELOPMENT – PUBLIC FINANCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED: JUNE 30, 2012
(Expressed in \$000's)

Revenue

Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognised as a liability (unearned revenue).

Public Finance derives its revenue through the provision of services to Cabinet, to other agencies in government and to third parties. Revenue is recognised at fair value of services provided.

Expenses

Expenses are recognised in the accounting period in which they are incurred.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, where this is representative of the pattern of benefits to be derived from the leased property. Lease payments under operating lease, net of lease incentives received, are recognised as expenses on a straight-line basis over the lease term. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months from the date of acquisition.

Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment.

Property, Plant and Equipment

Property, plant and equipment other than building are stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, where fair value can be reliably determined, and as revenue in the statement of financial performance in the year in which the asset is acquired.

Depreciation is expensed on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment (other than land); less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated either over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Asset Type

Estimated Useful life Years

Buildings and structures	40 - 60
Leasehold Improvement	Unexpired period or useful life
Furniture, fittings and office equipment	3-20
Computer hardware	3 - 10
Computer software	3 - 10
Other plant and equipment	5 - 25
Motor vehicles	4 - 12

Disposals

Gains and losses on disposals of property, plant and equipment are determined by comparing the sale proceeds with the carrying amount of the asset. Gains and losses on disposals during the year are included in the Statement of Financial Performance.

Intangible Assets

Acquired computer software licenses lasting over a year are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

The carrying value of an intangible asset with a finite life is amortized on a straight line basis over its useful life. Amortization begins when the asset is available for use and ceases at the date that the asset is derecognized. Amortization charge for each period is recognized in the statement of financial performance.

Employee Benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year-end are reported as current liabilities at the amount expected to be paid.

Pension contributions for employees of Public Finance are paid to the Public Service Pension Fund and administered by the Public Service Pension Board (the "Board"). Contributions of 12% - employer 6% and employee 6% are made to the fund by the Ministry.

Prior to 1 January 2000 the Board operated a defined benefit scheme. With effect from 1 January 2000 the Board continued to operate a defined benefit scheme for existing employees and a defined contribution scheme for all new employees. Obligations for contribution to defined contribution retirement plans are recognised in the Statement of Financial Performance as they are earned by employees. Obligations for defined benefit retirement plans are reported in the Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government.

Financial Instruments

Public Finance is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, trade and accounts receivables and trade and accounts payable, all of which are recognised in the Statement of Financial Position.

When there is objective evidence that a financial asset or group of financial assets is impaired the losses are recognised as an expense in the statement of financial performance.

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents and receivables.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial instruments comprise of accounts payable and accrued expenses.

Recognition

Public Finance recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the statements of financial performance.

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

MINISTRY OF FINANCE TOURISM & DEVELOPMENT – PUBLIC FINANCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED: JUNE 30, 2012
(Expressed in \$000's)

Financial liabilities are subsequently measured at amortised cost, being the amount at which the liability was initially recognised less any payment plus any accrued interest of the difference between that initial amount and the maturity amount.

De-recognition

A financial asset is de-recognition when Public Finance realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expires.

Contingent Liabilities and Assets (including guarantees)

Contingent liabilities and assets are reported at the point the contingency becomes evident. Contingent liabilities are disclosed when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources. Contingent assets are disclosed if it is probable that the benefits will be realised.

Foreign Currency

Foreign currency transactions are recorded in Cayman Islands dollars using the exchange rate in effect at the date of the transaction. Foreign currency gains or losses resulting from settlement of such transactions are recognised in the Statement of Financial Performance.

At the end of the reporting period the following exchange rates are to be used to translate foreign currency balances:-

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate;
- Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported in Cayman Islands dollars using the exchange rate at the date of the transaction; and
- Non-monetary items that are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the fair values were determined.

Surplus repayable

Pursuant to the PMFL section 39 (3)(f), Public Finance may "retain such part of its operating surplus as is determined by the Minister of Finance. When surpluses arise these are booked as a payable to the Cayman Islands Government, unless the Minister of Finance directs that the surplus can be retained.

Comparative Figures

Comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Note 2: Cash and cash equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name of the Ministry of Finance, Tourism and Development - Public Finance maintained at Royal Bank of Canada, with short term deposits invested with the Cayman Islands Government Treasury. As at 30 June 2011 and 30 June 2012 Public Finance's unrestricted cash balances were, as presented below. No restricted cash balances were held by Public Finance at 30 June 2012.

Actual Prior Year	Description	Foreign Currency	Exchange Rate	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	5 Cash on hand			5	5	5	-
	9 Cash in transit			20	-	-	(20)
	27,100 CI\$ Operational Current Account			10,381	33,144	32,977	22,763
	76 US\$ Operational Current Account	109	0.84	92	-	-	(92)
	(17) Payroll Current Account			104	-	-	(104)
	694 Treasury Internal Deposits			695	694	694	(1)
27,867	TOTAL			11,297	33,843	33,676	22,546

MINISTRY OF FINANCE TOURISM & DEVELOPMENT – PUBLIC FINANCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED: JUNE 30, 2012
(Expressed in \$000's)

Note 3: Trade receivables and other receivables

At year end all overdue receivables have been assessed and appropriate provisions made reflected in the statement of financial performance. The provision for doubtful debts has been calculated based on expected losses for Public Finance and review of specific debtors. Expected losses have been determined based on an analysis of Public Finance losses in previous periods.

Actual Prior Year		Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Trade Receivables				
3,003	Sale of goods and services	2,661	909	909	(1,752)
5,379	Outputs to Cabinet	4,288	1,193	1,193	(3,095)
(2,752)	Less: provision for doubtful debts	(2,449)	-	-	2,449
5,630	Total trade receivables	4,500	2,102	2,102	(2,398)

Actual Prior Year	Other Receivables	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
-	Advances (salary, Official Travel, etc)				
16	Dishonoured cheques	-	16	16	16
6,876	Other Receivable	41	223	223	182
(13)	Less: provision for doubtful debts	(13)	-	-	13
6,879	Total other receivables	28	239	239	211

Actual Prior Year	Receivables (Gross)	Trade Receivable	Other Receivable	Actual Current Year
2,144	Past due 1-30 days	2,170	8	2,178
1,057	Past due 31-60 days	1,088	-	1,088
41	Past due 61-90 days	6	-	6
66	Past due 90 to one year	251	-	251
5,074	Past due 1 year and above	3,434	33	3,467
8,382	Total	6,949	41	6,990

Changes in the provision of doubtful debts:

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
(2,514)	Balance at 1 July	(2,752)	-	-	2,752
(238)	Additional provisions made during the year	(260)	-	-	260
-	Receivables written off during the period	563	-	-	(563)
(2,752)	Balance at 30 June	(2,449)	-	-	2,449

MINISTRY OF FINANCE TOURISM & DEVELOPMENT – PUBLIC FINANCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED: JUNE 30, 2012
(Expressed in \$'000's)

Note 4: Prepayments

Current Prepayments

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Current portion of long-term				
-	prepayments	139	-	-	(139)
6	Accrued Prepayments	40	-	-	(40)
82	Prepaid Insurance	123	31	31	(92)
88	Total Prepayments	302	31	31	(271)

Long Term Prepayment

The long term prepayment is related to a three-year maintenance component of the acquisition of the X-Ray Scanner. Its current portion is separately disclosed in the schedule of current prepayments in the above schedule.

Note 5: Property, plant & equipment

	Plant and equipment	Buildings and Leasehold	Furniture and Office Equipment	Computers	Motor Vehicles	Assets under construction or development	Total	Original Budget	Final Budget	Variance (Orig vs Actual)
Cost or Opening Valuation	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2010	248	5,007	611	459	343	440	7,108	9,013	9,013	1,905
Additions	1	3	1	7	62	1,046	1,120	2,217	2,217	1,098
Disposals	-	(313)	(268)	(67)	(21)	-	(669)	-	-	669
Transfers	-	-	26	19	-	(19)	26	26	-	-
Balance as at 30 June 2011	249	4,697	370	418	384	1,467	7,585	11,256	11,230	3,672
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2011	249	4,697	370	418	384	1,467	7,585	11,230	11,230	3,645
Additions	143	-	-	2	682	564	1,391	1,000	1,008	(391)
Disposals	-	-	-	(15)	(11)	-	(26)	-	-	26
Transfers	474	-	-	61	1,445	(1,980)	0	-	-	(0)
Balance at 30 June 2012	866	4,697	370	466	2,500	51	8,950	12,230	12,238	3,280
Accumulated Depreciation and Impairment Losses	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2010	307	2,076	434	378	274	-	3,471	3,472	3,472	1
Transfers 2010/11	-	-	-	-	-	-	-	-	-	-
Impairment Reserve 2010/11	-	-	-	-	-	-	-	-	-	-
Depreciation Expense 2010/11	25	167	57	47	16	-	312	333	333	21
Eliminate on Disposal 2010/11	(203)	(81)	(194)	(66)	(21)	-	(565)	-	-	565
Balance as at 30 June 2011	129	2,162	297	359	269	-	3,218	3,805	3,805	587
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2011	129	2,162	297	359	269	-	3,216	3,805	3,805	589
Transfers 2011/12	-	-	-	-	-	-	-	-	-	-
Impairment Reserve 2011/12	-	-	-	-	-	-	-	-	-	-
Depreciation Expense 2011/12	40	117	31	37	96	-	321	598	431	277
Eliminate on Disposal 2011/12	-	-	-	(14)	(8)	-	(22)	-	-	22
Balance at 30 June 2012	169	2,279	328	382	357	-	3,515	4,403	4,236	888
Net Book value 30 June 2011	120	2,535	73	59	115	1,467	4,367	7,425	7,425	3,056
Net Book value 30 June 2012	697	2,418	42	84	2,143	51	5,435	7,827	8,002	2,392

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Note 6: Intangible assets

The Ministry has software TRIPS (Total Revenue Integrated Processing System) under implementation for integration with IRIS, The licensor has granted a perpetual irrevocable license. The intent of the system is to assist in capturing real-time information for the collection of all Customs revenue and provide statistical data.

It is anticipated that implementation will be completed in the 2012-13 financial reporting period, at which time amortization will occur. For the year ended June 30, 2012 no amortization was charged.

Note 7: Trade payables, other payables & Accruals

Prior Year Actual	Description	Current	Non- current	Total Current	Original Budget	Final Budget	Variance (Orig vs Actual)
169	Creditors	111	-	111	3	26	(108)
76	Creditors Ministries/Portfolios	-	-	-	-	-	-
-	Creditors other government agencies	2	-	2	-	-	(2)
268	Accrued Expenses	1,682	-	1,682	1,884	1,884	202
1,223	Accrued Expenses Ministries/Portfolios	1,213	-	1,213	-	-	(1,213)
2	Accrued Expenses other government agencies	8	-	8	-	-	(8)
41	Other payables	44	-	44	23	-	(21)
1,779	Total trade payables, other payables & accruals	3,060	-	3,060	1,910	1,910	(1,150)

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

Note 8: Employee entitlements

Actual Prior Year	Description	Actual Current Year	Original Budget	Revised Budget	Variance (Orig vs Actual)
<i>Current employee entitlements are represented by:</i>					
299	Annual Leave	342	203	203	(139)
105	Pension	105	108	108	3
404	Total current portion	447	311	311	(136)
<i>Non-current employee entitlements are represented by:</i>					
-	Retirement and long service leave	-	-	-	-
404	Total employee entitlements	447	311	311	(136)

The annual leave entitlements are calculated on current salary paid to those employees eligible for this benefit.

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Note 9: Sale of goods & services

Actual Prior Year	Revenue type	Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
15,470	Outputs to Cabinet	14,903	14,318	14,903	(585)
57	Outputs to other government agencies	47	48	48	1
29	Fees and charges	29	875	883	846
1,678	General Sales	1,612	1,650	1,650	38
43	Other	38	8	-	(30)
<u>17,277</u>	Total sales of goods and services	<u>16,629</u>	<u>16,899</u>	<u>17,484</u>	<u>270</u>

Outputs to Cabinet comprises goods delivered to and services performed on behalf of the Cayman Islands Government. These outputs are listed in Note 20.

Outputs to other government agencies comprises trade between the Portfolio of Finance and Economics and other government bodies. These are arm length transactions governed by Service Level Agreements (SLAs) between the contracting parties.

Fees & charges, general sales, rentals & others includes administrative fees and user charges levied on the public for the delivery of government services. Certain respective rates and fee structures are gazetted and governed by the relevant revenue laws and regulations.

Note 10: Investment Revenue

Actual Prior Year	Source	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
1	Interest on deposits held with cabinet	1	-	-	(1)
<u>1</u>	Total Investment Revenues	<u>1</u>	<u>-</u>	<u>-</u>	<u>(1)</u>

Note 11: Personnel costs

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
11,028	Salaries, wages and allowances	11,340	10,861	11,493	(479)
1,769	Health care	1,990	2,062	2,118	72
621	Pension	606	625	622	19
88	Leave	3	-	47	(3)
5	Other personnel related costs	19	5	22	(14)
<u>13,511</u>	Total Personnel Costs	<u>13,958</u>	<u>13,553</u>	<u>14,302</u>	<u>(405)</u>

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Note 12: Supplies and consumables

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance vs Actual)	(Orig
166	Supplies and Materials	173	119	126		(54)
1,588	Purchase of services	870	1,117	1,142		247
936	Lease of Property and Equipment	729	734	734		5
318	Utilities	219	266	246		47
121	General Insurance	124	141	141		17
106	Interdepartmental expenses	355	196	196		(159)
52	Travel and Subsistence	41	54	54		13
56	Recruitment and Training	74	114	105		40
243	Other	262	7	7		(255)
3,586	Total Supplies & consumables	2,847	2,748	2,751		(99)

Note 13: Gains/(losses)

Actual Prior Year	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
74	Net (gain) / loss on disposal of property, plant and equipment	(1)	-	-	1
-	Net (gain) / loss on foreign exchange Transactions	2	-	-	(2)
-	Net (Gain)/Loss on Derecognition of Asset/Liability	(13)	-	-	13
74	Total gain/ (losses)	(12)	-	-	12

Note 14: Contingent liabilities and assets

Public Finance has no contingent assets as at 30th June 2012. Any contingent liabilities relating to the Ministry as at 30th June 2012 are reported in the consolidated accounts for the Cayman Islands Government.

Note 15: Commitments

Prior Year Actual \$'000	Type	One year or less \$'000	One to five Years \$'000	Over five Years \$'000	Total \$'000
	Capital Commitments				
1,634	Property, plant and equipment	135	-	-	135
1,634	Total Capital Commitments	135	-	-	135
1,634	Total Commitments	135	-	-	135

Public Finance is currently operating under expired leases, thereby operating on a month to month basis. Under this arrangement both lessor and lessee can terminate the leases with one month's notice.

Note 16: Explanation of major variances against budget

Explanations for major variances for Public Finance's performance against the original budget are as follows:

Statement of financial performance

Sale of Goods & Services Revenue

Revenue was below budget by \$130 thousand, this net variance is due to an increase in funding from the supplementary budget and revenue from other sources not materializing.

Personnel Costs

Personnel costs were \$405 thousand above budget due to increase in health care costs, customs overtime and new positions in customs, which were provided for in the supplementary budget.

Supplies & Consumables

The actual supplies & consumables were \$99 thousand over budget due to not having a budget for provision of bad debt and it was necessary to provision some of the accounts receivable for Cayman Airways.

Depreciation

Depreciation was \$277 thousand below budget due to the scanner not being brought online until after the fiscal year.

Statement of financial position

Cash and cash equivalents

The actual year-end cash balances were \$22.5 million below budget mainly due to the surplus repayment being made for prior years.

Trade and other receivables

The actual year-end trade and other receivables balances were higher than the original budget by \$2.2 million due to revenue from Cabinet not paid over as at 30th June 2012.

Prepayments

The actual year-end prepayments balance current and non-current was higher than the original budget by \$271 thousand and \$231 thousand respectively due to maintenance fees for the x-ray scanner being included in the price of the contract for three year period, thereby resulting in an increase.

Property Plant & Equipment

Fixed assets were lower than the original budget by \$2.4 million due to a decision not to purchase the web portal for total revenue integrated processing system for customs and the reclassification of TRIPS as an intangible asset.

Trade Payables

Trade payables were higher than the original budget by \$110 thousand due to timing of payments.

Other Payables

Other payables were higher than the original budget by \$1 million due to the delay in payment of the x-ray scanner.

Employee Entitlements

Employee entitlements were higher than the original budget by \$136 thousand as a result of anticipated annual leave not being taken or paid out.

Repayment of Surplus

Repayment of surplus was 15.9 mil lower than budget due to the timing of when the budget was completed, prior year audits and not been completed and we did not anticipate repayment until completion of audits.

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New Worth

New Worth was lower than the original budget by \$5.6 million due to the classification from prior years, where the amounts had changed as a result of audit adjustments and budget had been finalized before the prior year audits.

Statement of cash flows

Cash from operating activities

Cash from operating activities was over budget by \$7.6 million mainly due to a payment from executive for outstanding receivables.

Cash from investing activities

The cash from investing being under budget by \$589 thousand was due to the delay in the x-ray scanner system.

Cash from financing activities

Cash from financing activities is \$25 million above budget due to surplus repayment during the year 30th June 2012.

Changes between original and final budget figures

The original budget was approved by legislative action on June 27, 2011. On July 19, 2011 Cabinet approved (CP 1054/11) additional funds of \$200,000 for the implementation of the 2011 Summer Students' Employment Program to be included in the 2011/12 supplementary appropriation bill. On September 27, 2011 Cabinet approved (CP 1169/11) additional funds of \$650,832 for appropriation FTD 24 to also be included in the supplementary appropriation bill.

The supplementary appropriation bill was approved by legislative action on September 5, 2013. Within this bill was the amount of \$584,894 allocated to Public Finance. This amount included the items listed above as well as reallocation among various outputs and the return of some funds.

Note 17: Related party and key management personnel disclosures

Related party disclosure

Public Finance is a wholly owned entity of the government from which it derives a major source of its revenue. The Ministry and its key management personnel transact with other government entities on a regular basis. These transactions were provided free of cost during the financial year ended 30 June 2012 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

In the normal course of its business the Ministry is subject to credit risk from debtors other than the Cabinet. As of June 30, 2012 Cayman Airways owes Public Finance an amount of \$2,204,187. Public Finance does not have significant concentrations of credit risk for its other financial instruments.

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Key management personnel

Key management personnel, defined as Ministers of the Government, are also considered to be related parties, and as such received the following remuneration.

Actual Prior Year	Description	Actual Current Year	Number of persons
1,172	Salaries & other short-term employee benefits	1,209	11
137	Other long-term benefits	138	11
<u>1,309</u>	<u>Total</u>	<u>1,347</u>	

No loans were granted to key management personnel and or their close relatives.

Note 18: Equipment received from settlement

As a result of settlement of claims in relation to the x-ray scanner project, Customs received two smaller scanners at a value of \$139 thousand and as such captured as assets in the current year.

Subsequent to the current year, Customs received a mobile office at a value to \$96,292 which was received in 2012/2013 fiscal year and as such captured as an asset in that year.

Note 19: Financial instrument risks

Public Finance is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and bank balances, advances, accounts receivable, debtor-Cabinet and creditors and other payables. The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Credit risk

In the normal course of its business the Ministry is subject to credit risk from debtors other than the Cabinet. As of June 30, 2012 Cayman Airways owes Public Finance an amount of \$2,204,187. Public Finance does not have significant concentrations of credit risk for its other financial instruments.

Currency and interest rate risk

Public Finance has no significant exposure to currency exchange loss risk and interest rate risk.

Liquidity risk

In meeting its liquidity requirements, Public Finance closely monitors its forecast cash requirements with expected cash draw downs from Cabinet and receipts from third parties. Public Finance maintains a target level of available cash to meet liquidity requirements.

All of Public Finance's financial liabilities (creditors and payables) will be settled in less than six months from the date of these financial statements.

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Note 20: Segment Reporting

	BMU	ESO	ADMIN	REV	RSK	IAU	TSY	CUS	TOTAL
Revenue									
Outputs from Cabinet	528	1,569	1,978	206	153	561	2,446	7,462	14,903
Sale of goods and services	-	-	-	-	-	17	47	1,623	1,687
Other revenue	-	-	1	-	-	-	17	161	179
Total Revenue	528	1,569	1,979	206	153	578	2,510	9,246	16,769
Expenses									
Salaries and Wages	512	1,405	1,472	196	146	546	2,333	7,348	13,958
Other expenses	54	164	507	10	7	32	319	2,063	3,156
Total Expenses	566	1,569	1,979	206	153	578	2,652	9,411	17,114
Net Surplus/ (Deficit)	(38)	-	-	-	-	-	(142)	(165)	(345)
Assets									
Current Assets	-	2	14,317	-	54	2	144	1,608	16,127
Fixed Assets	-	35	3	-	-	10	51	7,544	7,643
Total Assets	-	37	14,320	-	54	12	195	9,152	23,770
Total Liabilities	(33)	(110)	(7,756)	(5)	(11)	(19)	(891)	(2,045)	(10,870)
Total Capital Expenses	3	-	1	-	-	-	-	1,387	1,391

Joint assets and liabilities held as common are directly managed by the FIN ADMIN department; therefore FIN ADMIN would include such assets as cash and cash equivalents and receivables from cabinet. It would also include such liabilities as surplus payable and payroll deductions that are payable.

The Budget and Management Unit (BMU) is responsible for the design, quality assurance, and management of the budget and reporting processes for the Entire Public Sector (EPS). This includes coordinating and preparing an annual timeline, strategic policy statement, annual plan and estimates, annual budget statements, ownership and purchase agreements. The unit also oversees the functioning of the Central Tenders Committee, provide ministerial briefings, monitor the Entire Public Sector, train, support and advise on budget and reporting matters.

The Economic and Statistics Office (ESO) monitors the economy, develops economic policies and plans, and advises Government on a range of economic issues to sustained growth of the islands. The Office also conducts and analyzes social and economic surveys and compiles and publishes statistical data on the Cayman Islands, and provides other government departments with technical advice on data collection and dissemination, and survey design and methodology.

The Finance Administration (FIN ADMIN) section assists the Financial Secretary and the Minister for Finance by providing policy advice, governance and administrative services on all financial, budgeting and reporting matters of the government. The unit processes applications for fees and customs duty waivers, stamp duty abatements and assessments, government loans to civil servants, and approvals as well as providing administrative support and monitor the performance of departments under Public Finance.

The Revenue Unit (REV) provides Cabinet with regular rolling coercive revenue forecasts and policy advice on revenue related matters. This includes developing and maintaining appropriate revenue forecasting models for the Cayman Islands and researching potential new revenue enhancement measures.

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The Risk Management Unit's (RSK) primary purpose is to development, implementation and coordination of comprehensive property and liability insurance programmes along with safety and loss control activities to minimize the negative financial impact of natural hazards, accidents and other unexpected events to the Cayman Islands Government. The Internal Audit Unit (IAU) provides the Financial Secretary and agency management with objective assurances, examinations and appraisals of controls, performance, risk and governance.

The Treasury Department (TSY) is responsible for the preparation of weekly and monthly managerial financial reports and periodic financial forecast to Cabinet. It is charged with the consolidation of the annual financial statements for core government and the entire public sector. Treasury has oversight for the management and forecasting of core government cash flows, negotiation, evaluation and administration of core government borrowings. The Treasury also provides financial management services to Ministries / Portfolios and the Executive.

The Customs Department (CUS) is responsible to collect and protect Government's revenue, facilitate legitimate trade and control prohibited and restricted goods in a cost effective manner while preserving a safe environment for all. This includes: processing and inspection of vessels and aircrafts; collection of duties; policy advice on customs related matters and border control and enforcement.

NOTE 21: Surplus Payable

Surplus payable represents accumulated surplus of \$7.363 million as at 30 June 2012 (2011: \$32.362 million). Since there was no net operating surplus during the year, no additional surplus payable were recorded during the year.

During the year ended 30 June 2012, Public Finance paid \$25 million (2011: \$Nil) to the Government pursuant to PMFL.