



MINISTRY OF
FINANCE & ECONOMIC
DEVELOPMENT
CAYMAN ISLANDS GOVERNMENT

Annual Report

31 December 2018





CAYMAN ISLANDS GOVERNMENT
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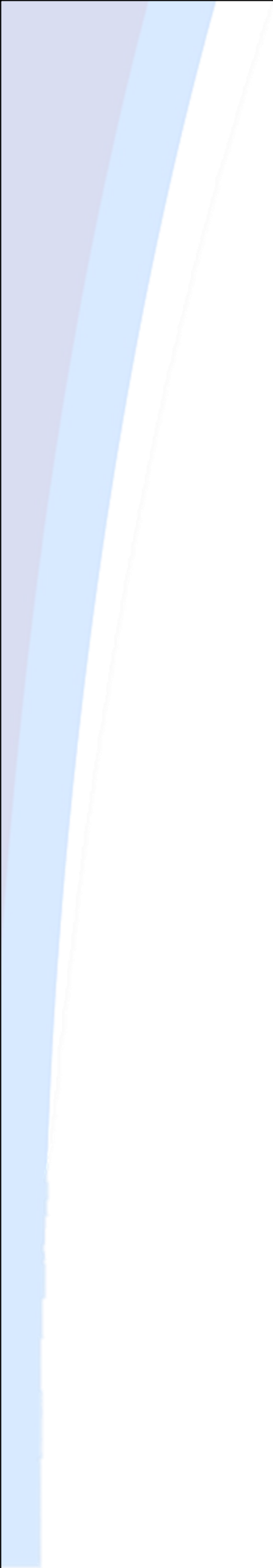
www.caymanpost.gov.ky

www.treasury.gov.ky



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Purpose of an Annual Report

The Public Management and Finance Law requires an entity (a Ministry, Portfolio or Office) to prepare and Table in the Legislative Assembly, an Annual Report. Annual Reports should include: details of an entity's activities during the year; a statement reporting all executive financial transactions that the entity administered on behalf of Cabinet; and financial statements that compare the entity's actual performance with the performance specified in budget documents.

A useful and effective Annual Report, gives the reader a view of the performance of an entity and whether it is doing well and has used public resources wisely. An entity inspires confidence and trust when: it can clearly demonstrate that it knows its own business; it is consistently performing well; it uses public resources wisely; is transparent about any changes it needs to make; and it assesses what it can do better—an Annual Report provides information with respect to these areas.

This Annual Report, which has been prepared by the Ministry of Finance and Economic Development (the "Ministry"), aims to provide a clear and comprehensive review of the Ministry's activities, achievements and performance during the 12-month period from 1 January 2018 to 31 December 2018. The financial statements, which are included in this Annual Report and which comply with International Public Sector Accounting Standards, detail the performance of the Ministry during the financial period noted above and, provide explanations for variances between actual and budgeted performance.

Message from the Minister

As Minister for Finance and Economic Development, I am pleased to present my Ministry's annual report on its performance and achievements for the financial year ended 31 December 2018.

During the 2018 financial year, the Treasury Department provided Cabinet with prudent fiscal reports and advice which enabled Government to make informed policy decisions and enhance public finances in a sustainable manner. As a result of our sound financial management and policies, Core Government's 2018 finances ended the year in a very healthy position where preliminary unaudited results show a net operating surplus of CI\$178.0 million, CI\$553.6 million in cash balances and CI\$419.9 million in outstanding debt.

The Economic and Statistics Office ("ESO") continued to produce statistics and data that can be used to tell a story of what is happening on the ground in Cayman and how Cayman compares to others in our region and internationally.

The ESO reported that Cayman continued to enjoy a strong and healthy economy in 2018 where real GDP was projected to expand by 3.4%. Despite an inflation increase to 3.3%, driven largely by increases in food and global crude oil prices, unemployment decreased to 2.9% when compared to 4.9% in 2017.

The Customs Department continued to protect the borders of the Cayman Islands by successfully conducting joint operations with the Royal Cayman Islands Police Service and Immigration Enforcement Division. These efforts resulted in several arrests where firearms and large quantities of cocaine and ganja were recovered. The Department was also successful in the implementation of the Miami Fast Track programme, allowing passengers departing Miami to clear Cayman Immigration and Customs in Miami thereby avoiding long waiting lines upon their arrival in Cayman.

Because of the merger of the Customs and the Immigration Departments into the Customs Border Control Service, on 1 February 2019, the Customs Department no longer exists and moved to the Ministry of Home Affairs under the responsibility of the Honourable Premier. I take this opportunity to thank the Collector of Customs and his team for all of their efforts over the years and their continued commitment to protecting our country's borders.

During 2018, the Postal Services launched the Caymankind global shipping box which allows persons to ship worldwide, items weighing up to 22lbs in a single shipping box for one flat rate. The shipping box features colorful scenes and creatures from the Cayman Islands, including a stingray, Cayman parrot, coral reef and an unmistakable image of Seven Mile Beach. In 2018, the Postal Services also released stamp issues celebrating the 50th Anniversary of Cayman Airways, the Royal Wedding of The Duke & Duchess of Sussex, the 60th Anniversary of the Coat of Arms, and the customary Christmas issue, featuring Christmas Hymns with titles of four popular Christmas songs namely, "We Three Kings of Orient Are", "Oh, Holy Night", "Away in a Manger", and "Joy to the World".

The Ministry's financial statements indicate that we achieved a net operating surplus of CI\$3.9 million for the year ended December 31, 2018. They also demonstrate that the Ministry has used the public's resources carefully: expenditures incurred during the financial year are less than originally budgeted by approximately CI\$1.6 million.

The staff of the Ministry has worked diligently to provide effective, efficient and outstanding public services that represent value for money and contribute to the prosperity and welfare of the Cayman Islands. They have done an outstanding job of managing the affairs of the public purse. I take this opportunity to thank the staff and management of the Ministry for their achievements during the 2018 financial year and I look forward to celebrating future successes in the years to come.



Hon Roy McTaggart, JP

Minister for Finance & Economic Development

28 February 2019



Message from the Financial Secretary and Chief Officer

The 2018 financial year proved to be a year of significant achievements and many “firsts” for the Ministry of Finance & Economic Development, and as Financial Secretary and Chief Officer, I am pleased to present this Annual Report for the year ended 31 December 2018.

For the first time ever, the Economics and Statistics Office successfully conducted an occupational wage survey which provided a wealth of data on the compensation, allowances and benefits of 19,215 persons employed across the Cayman Islands.

Since launching the Customs Online System, for the first time, a record number of 68,351 declarations were submitted and processed online during 2018. The convenience of online customs processing allows importers the luxury of clearing goods from the comfort of their homes and offices without having to wait in line. Soon, importers will also be able to pay customs duties online thus making the Customs experience that much more enjoyable and time-efficient.

The Procurement Law and Regulations, which came into force in May 2018, set out the new procurement regime for the Cayman Islands Public Sector. The Central Procurement Office delivered training to over 500 Civil Servants on the new Procurement Law and Regulations as well as the use of the Cayman Islands’ Procurement portal, ‘Bonfire’. Over 400 Public Servants are now registered on Bonfire which provided 180 procurement opportunities to 1,900 registered vendors.

Like any other organization, the Ministry continues to face challenges. The Ministry, however, is committed to improving the delivery of its services and enhancing the skills-set of its professional teams thus enabling them to better carry out their technical and managerial roles and maintain their exemplary leadership.

In closing, I take this opportunity to extend my sincere appreciation to the professional teams within the Ministry, for the many “firsts” achieved in 2018 and for their continued dedication and hard work.



Kenneth Jefferson, JP
Financial Secretary and Chief Officer
28 February 2019



ORGANIZATIONAL CHART AND SENIOR MANAGEMENT

Minister for Finance & Economic Development

Honourable Roy McTaggart, JP

Councillor,
Barbara Conolly

Financial Secretary & Chief Officer
Kenneth Jefferson, JP

Senior Assistant
Financial Secretary
Anne Owens

Senior Assistant
Financial Secretary
Michael Nixon

Accountant General
Matthew Tibbetts

Central Procurement Office
Director
Taraq Bashir

Cayman Islands
National Insurance Company
Acting Chief Executive Officers
Dana Brandon & Frank Gallippi

Cayman Islands
Development Bank
Chief Executive Officer
Tracy Ebanks

Customs Department
Collector of Customs
Charles Clifford

Postal Services
Postmaster General
Sheena Glasgow

Economics and Statistics Office
Director
Maria Zingapan

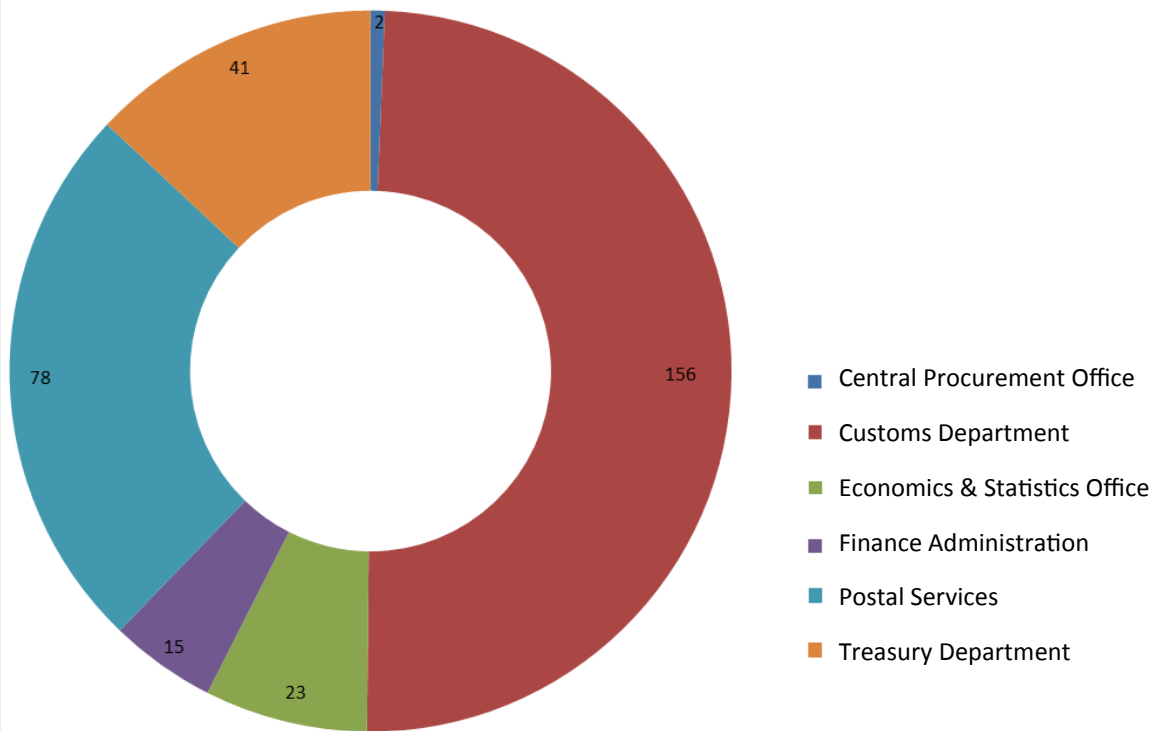
Corporate Unit
Senior Assistant Secretary
Lindora Aune

Risk Management Unit
Risk Manager
Vacant

Our Structure & Key Personnel

Details on Our Staff

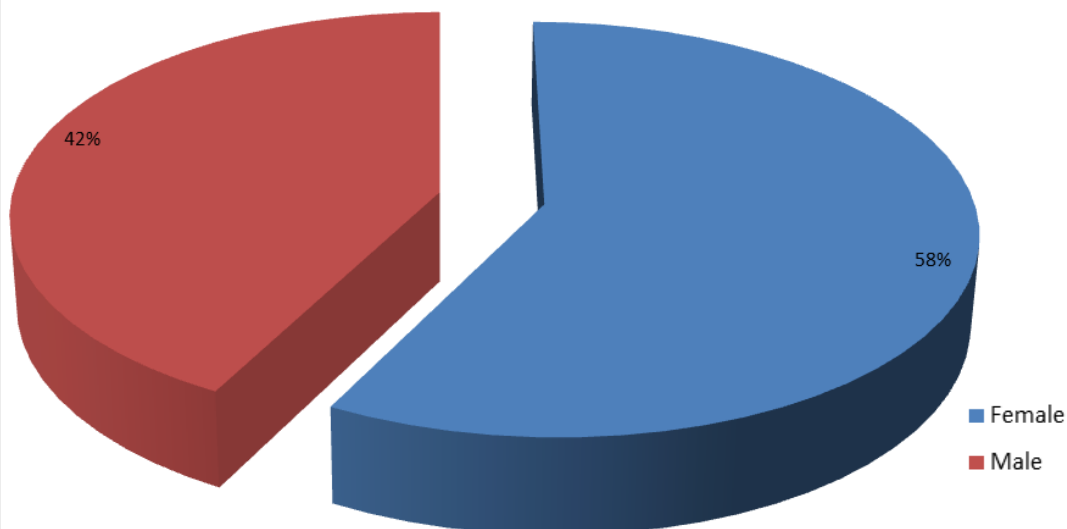
Number of Staff



The Ministry had a staff complement of 315 at 31 December 2018



Gender Diversity



"182 or 58% of the staff in the Ministry are female"

- SHARMENE BUSH,
HR MANAGER

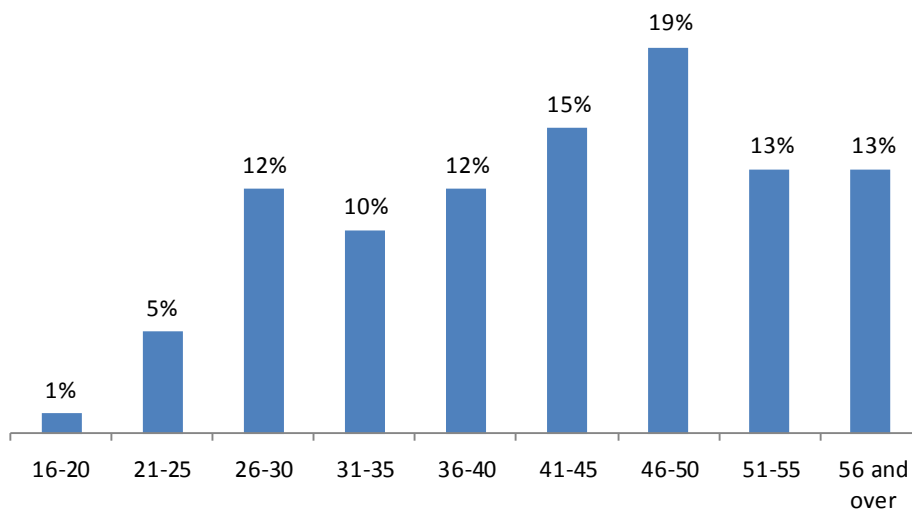


Ministry's Senior Management Meeting

92% of the
Ministry's
Staff are
Caymanian

Nationality	#
Caymanian	291
Jamaican	11
British	2
Canadian	2
American	1
Dominican (Dominica)	1
Filipino	1
Grenadian	1
Guyanese	1
Honduran	1
Pakistani	1
Saint Vincentian	1
Trinidadian	1
Total	315

Age of Ministry's Staff



The majority of the
Ministry's staff are
41 years and older:
indicating mature
and experienced
personnel



Finance Administration

Provides policy advice, governance and administrative services on all financial, budgeting and reporting matters of the Government.

Processes applications for fees and customs duty waivers, stamp duty abatements and assessments, Government loans to Civil Servants.

Provides administrative support to and monitors the performance of, Offices/Departments under the Ministry.

Monitors the Risk Management Unit which develops, implements and coordinates 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 Government.

Provides oversight of the Cayman Islands National Insurance Company, Cayman Islands Development Bank and the Central Tenders Committee, and its successor the Public Procurement Committee.

Central Procurement Office

Provides the Government with procurement expertise and guidance. Enhances procurement capacity with standards, tools and templates in order to achieve value for money across all Ministries and Statutory Authorities on the Cayman Islands.

Customs Department

Responsible for collecting and protecting Government's import duty revenue. Facilitates legitimate trade and controls prohibited and restricted goods in a cost effective manner while preserving a safe environment for all. Activities include: processing and inspecting of vessels and aircrafts; collection of duties; providing policy advice on Customs related matters; and border control and enforcement.

Economics and Statistics Office

Monitors the economy and provides macroeconomic forecasts, conducts economic policy research and economic impact studies, and advises the Government on a range of macroeconomic issues to sustain growth in the Islands.

Conducts and analyses social and economic surveys and compiles and publishes comprehensive statistical data on the Cayman Islands.

Provides other Government agencies with technical advice on data collection and dissemination, and survey design and methodology.

Postal Services

The Cayman Islands Postal Service is designated as the postal operator responsible for fulfilling the Government's obligations arising from adherence to the Universal Postal Union Convention in the Cayman Islands. Charged with ensuring that postal services are accessible to all residents and visitors in the territory and operates a network of 16 post offices across all 3 Islands. Part of a network of over 700,000 postal outlets worldwide.

The Cayman Islands is a member of the Universal Postal Union through Great Britain and is also a member of the Caribbean Postal Union in its own right.

Core postal services are domestic and international in scope and encompass ordinary letter mail including mail with certified posting, registered mail, prepaid postage (franking meters and online meters), parcels, re-direction of mail, safe mail as well as the postal industry's courier service, Express Mail Service.

Treasury Department

Responsible for the preparation and consolidation of forecast and annual financial statements for central Government and the Entire Public Sector as required by section 29A(2)(c) of the Public Management and Finance Law, using International Public Sector Accounting Standards. Oversight of the management and forecasting of Central Government cash flows, negotiation, evaluation and administration of Central Government borrowings. Responsible for the design, quality assurance and management of the budget and reporting processes for the Entire Public Sector — this includes coordinating and preparing a bi-annual budget timeline, strategic policy statement, plan and estimates, budget statements, ownership and purchase agreements and revenue forecasts. Provides financial management services to Ministries/Portfolios/Offices and the Cabinet.

Key Events



JANUARY 2018

The Cayman Islands Postal Services became the first Caribbean postal administration to join the multi-lateral agreement for exchanging ITMATT (electronic customs declaration) data with other postal administrations worldwide

FEBRUARY 2018

The Economics and Statistics Office hosted a 3-day study visit for the Director and a statistician of the Turks and Caicos' Department of Statistics

Treasury issued Part II of Public Finance Manual

Treasury's Annual Staff Retreat and Training Day

Government procurement website went live

MARCH 2018

The Consumer Price Index Report presenting the 2017 inflation rate (1.9%) released

APRIL 2018

The Labour Force Survey Fall 2017 Report, presenting the population as of end 2017 (63,115), labour force (42,941 persons) and unemployment rate (4.9%), was released.

Postal Services representatives attended the Caribbean AED and EMSEVT v2 Symposium in Christ Church, Barbados, 23 - 27 April 2018

MAY 2018

The Government's very 1st unaudited quarterly report – which covered the financial period of 1 January to 31 March 2018 – was gazetted. This was an important step in the Government's efforts to improve the timeliness of reporting its financial results and position to Members of the Legislative Assembly and, the public.

Postal Services launched the World Class Awards staff recognition programme
Postmaster General attended the World Customs Organization and the Universal Postal Union Joint ORE Workshop
Georgetown, Guyana

Ministry's 2016/17 Annual Report Tabled in the Legislative Assembly: unqualified clean audit opinion received

Customs participated in the ICCI Career Readiness/Career Fair Event

Coming into effect of the new Procurement Law

The new Procurement Regulations came into force.

JUNE 2018

On-boarding of 11 Customs Officers – Nettie Bulgin,

Lottaya Palmer, Michelle Johnson-Ebanks, Anny Arriaga Zuniga, Gabriel Myles, Sheryl Farley, Trishana Osbourne, Charles Ebanks, Yaimara Matos-Riol, Alexander Marzouca, and Jessus Ebanks.

On-boarding of Technical Support Administrator – Matthew Brandon

JULY 2018

Royal Wedding: The Duke & Duchess of Sussex stamp issue released

AUGUST 2018

Cabinet approved preparation of the Cayman Islands' 2020 Census of Population and Housing

50th Anniversary Cayman Airways stamp issue released

Gazettal of the Second Quarter Financial Report

Treasury's launch of IRIS On-Demand Training Online

SEPTEMBER 2018

Labour Force Survey Spring 2018 Report released – presents the population as of end June 2018 (64,420), labour force (44,213 persons) and unemployment rate (3.4%)

Postmaster General and Deputy Postmaster General attended 2nd Universal Postal Union Extraordinary Congress in Addis Ababa, Ethiopia

Treasury coordinated Entire Public Sector training on IPSAS

2016/17 Supplementary Budget Tabled in the Legislative Assembly

Three Customs Officers promoted to Senior Customs Officer – Oral Lawrence, Danny Manderson & Johann Taylor

On-boarding of Porter – Jonathan Barron

Customs participated in Cayman Islands Further Education Centre Career Fair (CIFEC)

OCTOBER 2018

Census 2020 Advisory Committee convened

Occupational Wage Survey 2017 completed, 60th Anniversary of the Cayman Islands Coat of Arms stamp issue released on 19 October 2018



Terms of Reference for Performance Budgeting and Reporting Working Group established – to reform CIG budget and reporting

Treasury started process to facilitate direct deposits/payments to landlord

NOVEMBER 2018

Launch of CaymanKind Global and CaymanKind Global Express products on Cayman Brac

Presentation to the 38th Meeting of the World Customs Organization – Universal Postal Union Contact Committee, Brussels, Belgium

Christmas 2018 stamp issue released

Gazettal of the Third Quarter Financial Report

2018 Supplementary Budget tabled in the Legislative Assembly

15 Officers graduated from the first joint Customs & Immigration training course – 11 Customs Officers & 4 Immigration Officers

Customs Staff Appreciation/Family Fun Day

DECEMBER 2018

Import duty concessions continued on building materials and to encourage development on the Brac

Launch of CaymanKind Global, CaymanKind Global Express and Certified Mail products on Grand Cayman

General Mail System result (letter mail) for 2018 was 97.1%, exceeding the performance target of 95% for on-time delivery

Assisted and sponsored Professional Development Week

Established the Audit and Risk Assurance Committee

On-boarding of 6 Customs Officers – Marticia Bent, Courtisha Ebanks, Daemion Fullerton, Andrae Strachan, & Sedroy Thomas

Final Customs Christmas Party – "Customs Last Hooray – Black, White & Gold"



What We Achieved

During the financial period, 1 January 2018 to 31 December 2018, the Ministry achieved the following:

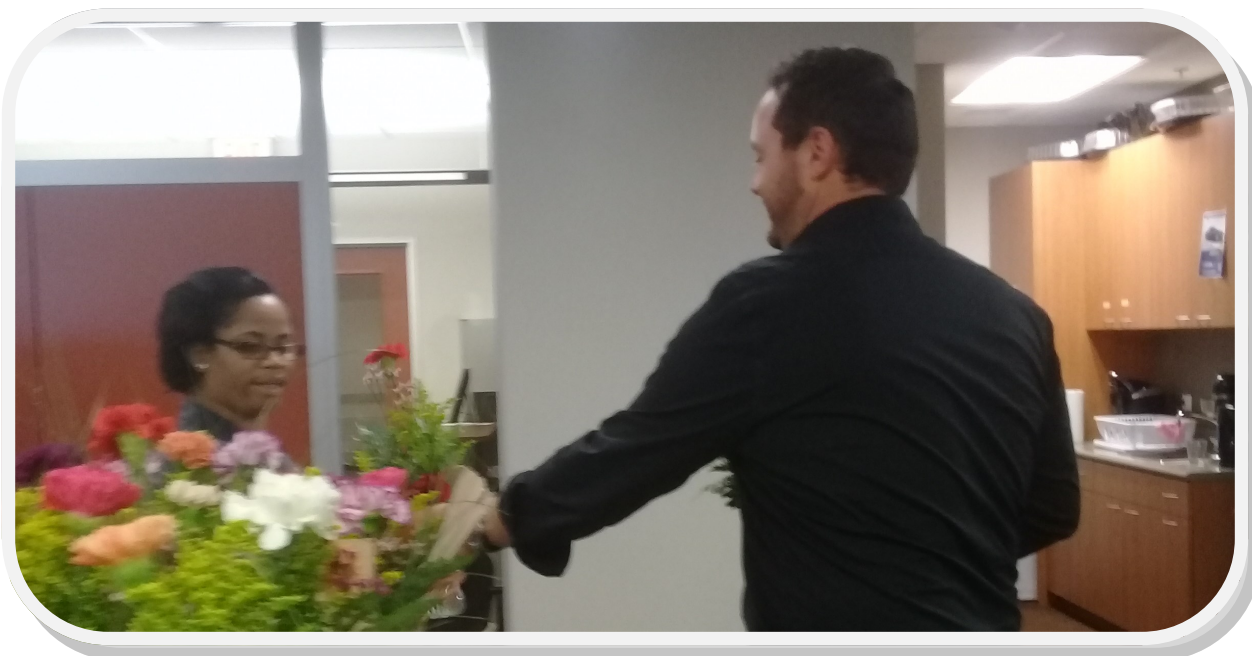
Finance Administration

Prepared Cabinet Papers and Cabinet Notes – The Ministry prepared 66 Cabinet Papers and Cabinet Notes for the consideration, notation and/or approval of Caucus and the Cabinet. The Ministry also provided comments on 59 Cabinet Papers written by other Ministries/Portfolios/Offices which contained recommendations with financial or economic implications for the Government.

Provided Internship Opportunities – The Ministry participated in the Government's summer internship programme which provides training and internship opportunities for students enrolled in high school and university. Ten students were employed during the Summer of 2018.

Processed Applications for Personal and Settlement Loans – The Ministry processed 66 applications for personal and settlement loans.

Freedom of Information (FOI) Requests – Finance Administration responded to 6 requests under the FOI Law.



May 2018 – Mothers Day

Attended Meetings of Committees and Boards – Staff from the Ministry are ex-officio members of 16 Boards of Directors (for Statutory Authorities and Government Companies) and Committees and Boards of the Government. These Boards and Committees are:

PUBLIC ENTITY	NAME & TITLE
Auditors Oversight Authority	Kenneth Jefferson Financial Secretary & Chief Officer
Cayman Airways Limited	Kenneth Jefferson Financial Secretary & Chief Officer
Cayman Islands Airports Authority	Charles Clifford Collector of Customs
Cayman Islands Monetary Authority – Currency Board duties only	Randy Myles Deputy Manager of Entire Public Sector Reporting
Cayman Islands National Insurance Company Ltd	Anne Owens Senior Assistant Financial Secretary
Cayman Islands Stock Exchange Authority	Kenneth Jefferson Financial Secretary & Chief Officer
Cayman Turtle Conservation and Education Centre Limited	Michael Nixon Senior Assistant Financial Secretary
Central Tenders Committee	Lee Ramoon Director of Revenue Unit
Health Services Authority	Andre Scott Manager of Entire Public Sector Reporting
The National Drug Council	Randy Myles Deputy Manager of Entire Public Sector Reporting
National Housing Development Trust	Randy Myles Deputy Manager of Entire Public Sector Reporting
Port Authority of the Cayman Islands	Michael Nixon Senior Assistant Financial Secretary; and Charles Clifford Collector of Customs
Public Service Pensions Board	Kenneth Jefferson Financial Secretary & Chief Officer
Public Transport Appeals Tribunal	Lee Ramoon Director of Revenue Unit
University College of the Cayman Islands	Randy Myles Deputy Manager of Entire Public Sector Reporting
The Water Authority of the Cayman Islands	Anne Owens Senior Assistant Financial Secretary

Central Procurement Office

The Central Procurement Office delivered training related to the new procurement law and regulations as well as the use of the Cayman Islands Procurement portal, 'Bonfire', to over 500 Civil Servants.

1,900 vendors are now registered on the electronic procurement portal.

Over 400 public servants are registered as users of the electronic procurement portal on which 180 procurement opportunities were advertised.



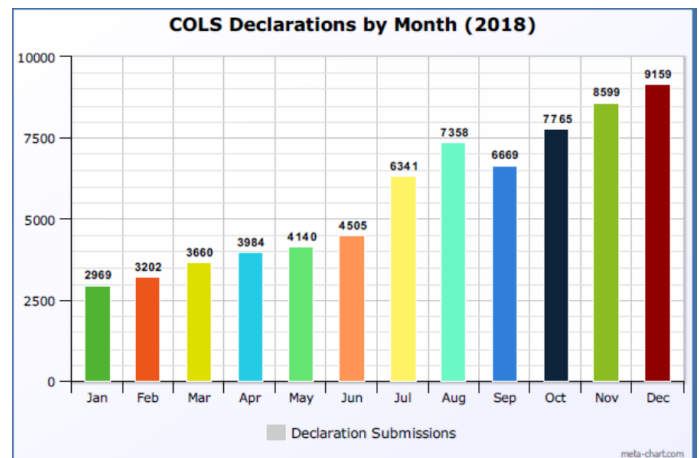
June 29 2018 - Farewell to Craig Milley, Director of the Central Procurement Office

Customs Department

Customs Online System (COLS) – After launching their online portal, COLS, 1 October 2017, some 68,351 electronic declarations were submitted in 2018 using the portal.

COLS now allows importers to do business with Customs remotely. As a result, traders and persons can sit in their offices or the comfort of their homes, from anywhere around the globe and submit their declarations to Customs. This new initiative saves time and money from the traditional way of sitting and waiting in line. For example, COLS gives importers the freedom to view and track the process of their declarations from a dashboard.

Currently, compliant declarations are processed within 24 hours of submission and the aim is to decrease the processing time to one business day. Going forward,



however, traders will have the option to pay their duties online and at the same time receive releases for their goods. This option will also be extended to travelers as they will have the ability to submit passenger declaration and pay online before arriving.

Arrests & Seizures Achieved – The Department detected, seized and made the following arrests in the financial year:



Drug & Firearm Offences: 40
 Number of arrests: 66 persons
 Number of ganja offences: 40
 Number of cocaine offences: 4
 Quantity of cocaine seized: 6.77 pounds
 Number of miscellaneous drug offences: 6
 Number of firearm offences: 16
 (4 involving handguns, 12 involving ammunition)

Conducted Joint Operations:
 The Customs Department participated in 46 joint operations with the Royal Cayman Islands Police Service and Department of Immigration which resulted:
 Number of arrests: 14
 Number of pounds of ganja seized: Estimated over 500 pounds
 Number of pounds of cocaine seized: 6.77
 Number of firearms seized: 5
 Number of illegal immigrants: 3
 Number of Immigration Offences: 15
 Number of wanted persons from other jurisdictions: 1 (double homicide - USA)

Freedom of Information (FOI) Requests -
 Overall, the Department responded to 29 requests under the FOI Law.

Training – Sixteen staff members attended overseas training. Training subjects ranged from Intelligence Gathering & Analysis, Transport of Infectious Substances, Financial Investigation, etc.

One hundred and twenty eight staff members attended local training. Training subjects ranged from Fraudulent Document Detection, Customer Service Ambassador, Financial Sanctions, Drug & Serious Crimes Taskforce, Data Protection Law, etc.

Internship Opportunities – The Customs Department participated in the CIFEC internship programme which provides training and internship opportunities for students enrolled in high school. Overall, three students were employed for the October 2018 – April 2019 programme.

Community Outreach/Involvement – In partnership with community stakeholders donated items for our Caribbean neighbours affected by Hurricane Irma. However, due to extenuating circumstances the items were repurposed to express CaymanKindness to our local non-profit organizations.



*Customs Basic Training
 Graduation Ceremony –
 October 2018*

Items were delivered to:
 CAYS Foundation – Frances Bodden Girls' Home and Bonaventure Boys' Home
 The Crisis Centre
 The Good Samaritan Food Bank – Cayman Islands
 NCVO – Foster Home Cayman
 Precious Gems
 Ms. Janice Pre-School

Achievement Centre
Rock your Socks – World Down Syndrome
Day – \$286.00
Earth Day Clean Up



CUS ICCI Career Fair May 2018

Customs in the news:

- Customs, CAL workers arrested for drug smuggling – May 2018
- Second Customs Officer arrested in drug probe – May 2018
- Customs makes 58 drug arrests during 2017 – June 2018
- Basic training begins for customs, immigration recruits – June 2018
- Customs form scrapped for most Cayman travelers – June 2018
- Two Customs warehouse staff in court for theft – September 2018
- Cocaine seized by Customs at airport – November 2018
- Customs Officer's cocaine importation trial begins – December 2018

Economics and Statistics Office

Preparation for the Cayman Islands' 2020 Census of Population and Housing (Census 2020). In accordance with international recommendations, the Office started the planning of preparatory activities for Census 2020 as approved by the Cabinet in August 2018. A census plan was prepared and presented to the Census 2020 Advisory Committee on 10 October 2018. The full updating of the ESO Household Register was completed, to pave the way for the review of census enumeration area maps starting in 2019. Census 2020 will be administered using a customized questionnaire on tablet; for this purpose, a Service agreement with the developer was completed in accordance with the Procurement Regulations 2018. Internally, the ESO Census Team was formed; the review of the census questionnaire was started; and the preparation of a census publicity plan was also initiated.

Completion of the Occupational Wage Survey (OWS) 2017. The conduct of the OWS was approved by Cabinet on 19 September 2017, in accordance with the Statistics Law (2016 Revision), and as requested by the then Minister of Education, Employment and Gender Affairs in 2016 as part of a broad set of recommendations towards the



ESO - The ESO Team won first place in the Medium Category (Team Competition) in the DG's Pedometer Challenge in January 2018 and overall Best Team Spirit Award



Minister McTaggart, the Financial Secretary and Senior Assistant FS with responsibility for ESO joined members of the Census 2020 Advisory Committee (CAC) and key ESO staff members during the convening of the CAC in October 2018.

“Implementation of the Minimum Wage Regime for the Cayman Islands.” The ESO conducted the Survey across all types of establishments from October 2017 to February 2018, and among a sample of households with employees from November 2017 to April 2018. There were 1,270 respondents to the OWS 2017 who supplied the data for 19,215 employees represented in this Report: Core Government – 3,812; statutory authorities and government-owned companies – 2,322; private sector (profit and non-profit) – 12,699; and households as employers – 382. The OWS 2017 Report presents the basic and total compensation of all employees included in the survey, categorized by 282 occupations coded according to the International Standard Classification of Occupations (2008 Revision) by industry and by type of employer (Core Government, SAGCs, private sector).

Conduct of Statistical Surveys in Support of the Public Management and Finance Law’s Economic Monitoring. In compliance with the economic monitoring requirements of the Public Management and Finance Law (PMFL), ESO completed the surveys that provided the raw data for estimating the Islands’ Gross Domestic Product (the System of National Accounts Surveys 2017), consumer price index inflation rate (Consumer Price Index Quarterly Surveys Q1 2018 to Q4 2018), employment and unemployment rate (Labour Force Survey –

Spring 2018 and Fall 2018) and the current account of the balance of payments (the Balance of Payments Survey 2017). These surveys also provide the data for updating the forecasts for the Islands.

Completion of the Cayman Islands’ National Accounts Supply-and-Use Table (SUT). The SUT is a set of matrices that record how approximately 160 groups of goods & services originate from 150 domestic industries and from imports, and how these are used between the various intermediate or final uses, including exports. The SUT provides detailed statistics on economic processes and relationships. It is a useful tool for conducting economic impact analyses. The first SUT for the Cayman Islands was compiled from various data sources, mainly the Household Budget Survey 2015, the National Accounts Survey 2015 and detailed trade data. It was prepared over the period 2016 to 2018 with technical assistance from the Caribbean Technical Assistance Centre (CARTAC).

Upgrading of the System of National Accounts (SNA). The SNA is the basis for the official estimates of Gross Domestic Product (GDP). Cayman’s first series of annual GDP estimates adjusted for inflation (or GDP in real terms) are based on 2007 prices. In 2016-2018, a project to re-base the series using 2015 prices was undertaken. Other changes were introduced during this

period: (a) methodological changes due to the transition to new estimation standards (SNA 2008 from SNA 1993) as vetted by the CARTAC Real Sector Adviser; and (b) the introduction of the third approach for estimating GDP which is by expenditure: GDP is the sum of final consumption expenditure (households, government, non-profit institutions), gross investment by domestic entities (including R&D) and net exports (exports minus imports) of goods and services.

Updating of Economic Forecasts. In 2018, ESO continued to provide the forecasts required in the preparation of the Strategic Policy Statement Economic Overview. The forecasts comprised of (a) GDP; (b) consumer price index inflation rate; (c) employment levels and unemployment rates; and (d) the current account of the balance of payments. The forecasts were also used for discussions with credit rating agencies, presentations to the private sector, and in economic impact studies. The forecasts took into account the updated reports of the International Monetary Fund (IMF), particularly with regard to their assessment on the economic performance and outlook of the United States, the rest of the Advanced Economies and the global economy in general.

Provision of Technical Assistance. The ESO provided 42 technical assistance comprising mainly of advice on economic and statistical matters to other departments, ministries, committees and regional statistical offices. ESO hosted a study visit for the Director and a statistician of the Turks and Caicos' Statistics Department. Additionally, designed a data collection instrument for the registry of the Older Persons' Council, and drew household samples for a survey of the Department of Environment. They also designed the Communication Survey on behalf of the Cabinet Office, and eventually conducted that Survey.



Postal Services

February 2018 – former employee pled guilty to one charge each of False Accounting and Breach of Trust in relation to CI\$3,400 taken from the C. I. Postal Service; sentenced to 12 weeks imprisonment suspended for 2 years against each charge, sentences to run concurrently.

Precedent established for breach of trust for the Postal Services.

November 2018 – Presentation to the 38th Meeting of the World Customs Organization – Universal Postal Union Contact Committee, Brussels, Belgium.



*PO Cayman Islands Postal Service Employee of the Year
2018 Debra Turnaretscher of Little Cayman with
Postmaster General*

November 2018 and December 2018 –
Launch of CaymanKind Global, CaymanKind
Global Express and Certified Mail products.

31 December 2018 – GMS result (letter mail)
for 2018 was 97.1%, exceeding the
performance target of 95%.

Implementation of the Universal Postal
Union's ORE Project in began August 2017.
Postal Services ended 2018 having
completed 56% of the 129 action points of
the project, with another 34% of the actions
points in progress.

During the period of January to December
2018, three (3) FOI requests were received
and processed by the Cayman Islands Postal
Services. All requests were responded to
within the 30-day period and the
information was divulged accordingly.



*PO Sheena Glasgow & Melissa Martinez-Ebanks of
the Postal Service with Great Britain delegation at
the 2nd Universal Postal Union Extraordinary
Congress in Addis Abba, Ethiopia – September 2018*

Treasury Department

Cash Management Unit continues to
manage historical highs in Cash Balances –
The Treasury Department continues to focus
on improving the efficiency of cash held for
operations (such as reducing the amount of
cash held for daily operations) which
resulted in more cash being invested in fixed
deposits for a higher return. These efforts
resulted in the Government having CI\$424.0
million invested in fixed deposits at the end
of December 2018.



TSY - April 2018 - Sherry's Last Day at Work

IRIS Training Online – The Treasury
Department developed and launched IRIS
On-Demand Training Online for all IRIS
users. This allows training to take place as
required. This is particularly useful with new
recruits as training can be provided
immediately. This avoids the downtime
previously experienced where training
sessions were scheduled either monthly or
less frequently.



Treasury staff Retreat 23 Feb 2018

Issued Part II of Public Finance Manual – In order to improve accuracy and consistency of the Government's accounts, the Treasury Department has released Part II of the Public Finance Manual.

Tabled 2018 Supplementary Budget – Transparency was improved in 2018 with the majority of supplementary expenditure incurred during the 2018 financial year being approved in the Legislative Assembly before 31 December 2018.

Coordinated Training – Finance teams across the Entire Public Sector were provided with training on International Public Sector Accounting Standards. This was coordinated centrally by the Treasury Department.

Initiated review of current Budget and Reporting framework – Treasury established Terms of Reference for Performance Budgeting and Reporting Working Group which will review the current Budgeting and Reporting framework. This reform will address recommendations which have been raised by the PMFL Review Committee and other reviews.

Management of Loans and Debts – The Treasury Department managed 241 loans with a value of CI\$337,538 and 2,135 debts with a gross value of CI\$17.3 million as at 31 December 2018.

Increased interest rates and active Cash Management Due to the significant surplus, increased interest rates and active management of cash by the Cash Management Unit within the Treasury Department, the Cayman Islands Government earned \$12.1 million in interest revenue which was \$7.6 million (or 169%) higher than the original budget of \$4.5 million.

Provided Internship Opportunities – The Department participated in the Government's summer internship programme which provides training and internship opportunities for students enrolled in high school and university. The Treasury Department employed three students in the Summer of 2018.

Statement of Executive Financial Transactions

“Entity Financial Transactions” are the financial transactions that a Ministry, Portfolio or Office undertake when conducting its business or delivering its outputs.

The entity financial transactions include entity revenue, entity expenses, entity liabilities and entity assets. Entity expenses include salaries, pension, electricity and software licensing fees amongst other costs. Entity assets are assets used for the delivery of a Ministry’s, Portfolio’s or Office’s Outputs and include furniture, motor vehicles, warehouses and computers. Entity liabilities incurred by a Ministry, Portfolio or Office include accounts payable, pension obligations and comp time. The revenue that a Ministry, Portfolio or Office receives from the Cabinet, to deliver its Outputs, is known as entity revenue which is used to pay for entity expenses, entity assets and entity liabilities.

“Executive Financial Transactions”, on the other hand, are the financial transactions that do not relate to the operations of a Ministry, Portfolio or Office but to the executive revenue, executive expenses, executive liabilities and executive assets of the Cabinet.

Executive revenue is for the benefit of Cabinet and includes import duty, motor vehicle duty, garbage fees and work permit fees amongst many other revenue descriptions. The Cabinet uses the executive revenue to pay for its executive expenses such as Outputs delivered by Ministries, Portfolios and Offices, scholarships, Needs Assessment support and finance costs amongst many other such costs. The executive liabilities of the Cabinet include the unfunded pension liability for Civil Servants, and Borrowings.

The following Statement of Executive Financial Transactions sets out the executive revenue that the Ministry of Finance collected on behalf of the Cabinet and the Cabinet’s executive expenses that are related to the Ministry of Finance.



*PO Postal Employees Support Breast Cancer Awareness
The CIPS employees stood in solidarity honoring the
organization’s Breast Cancer survivors*



Summer Interns with Treasury & Finance Admin

**Statement of Executive Financial Transactions
for the Year Ended 31 December 2018**

Executive Revenue	Actual	Budget	Variance
Motor Vehicle Duty	17,083	13,756	3,327
Gasoline & Diesel Duty	14,486	12,333	2,153
Alcoholic Beverages Duty	22,086	18,777	3,309
Tobacco Products Duty	7,752	7,889	(137)
Other Import Duty	117,862	101,337	16,525
Cruise Ship Departure Tax	11,512	10,114	1,398
Environment Protection Fund Fees	6,388	5,918	470
Motor Vehicle Environmental Tax	2,255	830	1,425
Bank Charges Reimbursable	3	-	3
Debit Transaction Fees	3,187	3,152	35
Not-for-Profit Licence	7	-	7
Change of Directors	3	-	3
Change of Name Fee	1	-	1
Package Charges	1,060	1,211	(152)
Land Holding Companies Share Transfer Charge	1,200	288	912
Other Stamp Duty	2,298	1,300	998
Stamp Duty - Online	347	316	31
Property Insurance Stamp Duty	1,252	1,072	180
Customs Fines	1	2	(1)
Compounded Penalties	45	39	6
Procedural Fines	39	52	(13)
Miscellaneous	536	-	536
Proceeds of Crime Law	24	-	24
Proceeds of Liquidated Entities	19,054	19,000	54
Total Executive Revenue	\$ 228,479	\$ 197,386	\$ 31,092

Executive Expenses	Actual	Budget	Variance
FED 1 - Policy Advice and Ministerial Services	1,965	2,631	667
FED 2 - Governance and Administrative Services	343	363	20
FED 3 - Collection of Coercive Revenue	2,540	2,960	420
FED 4 - Preparation and Publication of Statistical Reports	1,628	1,777	149
FED 5 - Financial Reporting and Management Services	4,232	4,401	169
FED 6 - Processing of Passengers and Inspection of Aircrafts, Vessels and Cargo	7,645	7,704	59
FED 7 - Detection, Interdiction and Prosecution of Customs Offences	2,605	2,609	5
FED 9 - Administration and Processing of Applications	288	288	0
FED 10 - National Mail Service	1,974	2,419	444
FED 11 - Monitoring and Reporting on the Economy	187	197	10
CIN 1 - Health Insurance for Seamen and Veterans for Primary and Secondary Health Care	10,280	10,586	306
OE 9 - Caribbean Economic Community (CARICOM) Fees	154	162	8
OE 10 - Caribbean Regional Technical Assistance Centre (CARTAC) Contribution	84	85	1
OE 27 - Past Service Pension Liability Payment	10,000	10,000	-
OE 54 - Caribbean Catastrophe Risk Insurance Facility - Annual Premium	838	840	2
OE 57 - Executive Bank Charges	4	5	1
OE 110 - General Insurance	3,966	4,036	70
DVB 1 - Administration of Lending for Human Resource Development	269	269	-
DVB 2 - Administration of Lending for Micro and Small Businesses Development	306	306	0
DVB 3 - Administration of Lending for Mortgage Lending	451	451	-
EI 4 - Cayman Islands Development Bank	2,250	2,250	-
EI 31 - Cayman Islands National Insurance Company	4,530	-	(4,530)
EI 70 - Ministry of Finance and Economic Development	440	1,500	1,060
Total Executive Expenses	\$ 56,979	\$ 55,840	\$ (1,139)

Explanation of Material Variances

The following are explanations for the material variances for the Ministry's performance against the original budget for Executive Financial Transactions:

Explanation of major variances against budget

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

EXECUTIVE REVENUE

Motor Vehicle Duty

Motor Vehicle Duty was over budget by \$3.327 million due to the number and value of vehicles imported for the year ended 31 December 2018 exceeding budget expectations.

Gasoline & Diesel Duty

Gasoline & Diesel Duty was over budget by \$2.153 million due to an increase in the demand over the period.

Alcoholic Beverages Duty

Alcoholic Beverages Duty was over budget by \$3.309 million due to the demand driven by an increase in the number of cruise passengers over the period.

Other Import Duty

Other Import Duty was over budget by \$16.525 million due to an increase in the quantity and value of cargo imports in 2018 compared to 2017.

Motor Vehicle Environmental Tax

Motor Vehicle Environmental Tax was over budget by \$1.425 million due to the increase in the number of imported cars with a value under CIF \$12 thousand.

EXECUTIVE EXPENDITURE

FED 1 – Policy Advice and Ministerial Services – was under budget by \$667 thousand due to budget being overstated based on the allocation of human resources, vacancies not filled and cost saving measures put in place.

FED 3 – Collection of Coercive Revenue – was under budget by \$420 thousand due to vacancies not filled and cost saving measures put in place.

FED 10 – National Mail Service – under budget by \$444 thousand as a result of actual revenue being recorded as a gross amount as opposed to net which had been happening historically. The result of changing recording of revenue to net lead to a reduction in the amount of funding required from Cabinet hence less expenditure required.

CIN 1 – Health Insurance for Seamen and Veterans for Primary and Secondary Health Care – under budget by \$306 thousand due to the number of seamen and veterans seeking coverage being less than expected.

EI 31 – Cayman Islands National Insurance Company – the amount of Equity Investment in excess of the original budget, \$4.53 million, was approved as a Supplementary Equity Investment by the Legislative Assembly on 15 November 2018, to cover prescribed capital requirements (PCR). As a Class A insurer, CINICO is required by the Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 and by the Cayman Islands Monetary Authority to maintain a PCR in order to meet its insurance business commitments and adequately manage its risks.

EI 70 – Ministry of Finance and Economic Development – under budget due to the Postal Services' Point of Sales system and other capital items not being purchased.



Treasury Department – Christmas Decorations

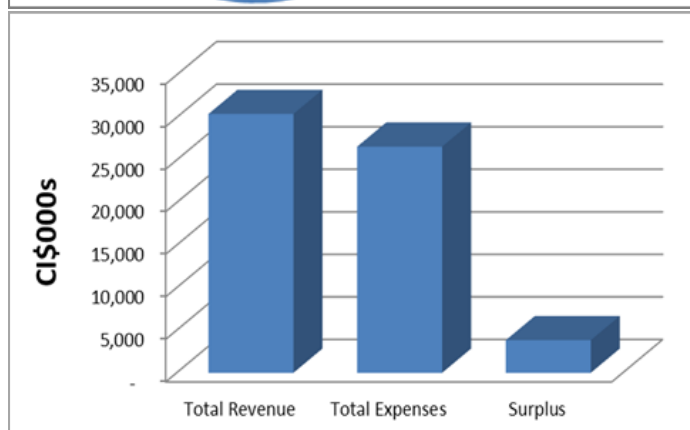
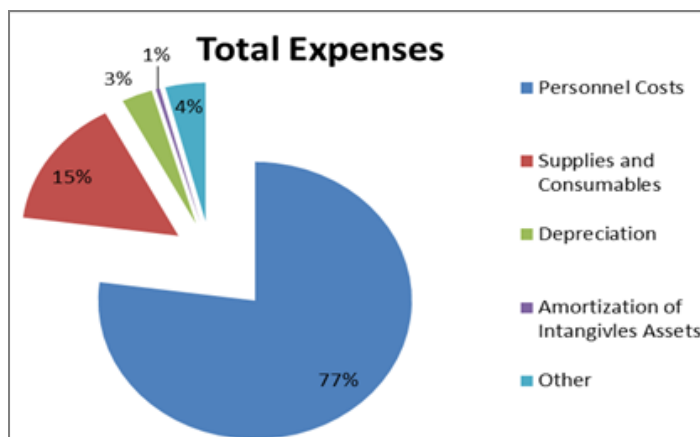
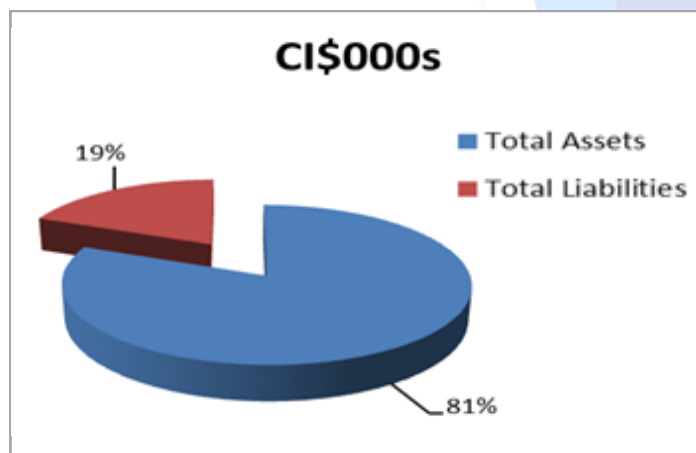
Overview of the Financial Statements

The financial statements, for the Ministry of Finance and Economic Development for the financial year ended 31 December 2018, are attached to this Annual Report as Appendix A.

The Statement of Financial Position, as shown on page 6 of the financial statements, shows that the Ministry ended the 2018 financial year with CI\$26.9 million in Total Assets. Of this amount, CI\$14.0 million or 52% comprise of cash and cash equivalents which includes cash on hand, cash in transit and bank accounts with a maturity of no more than three (3) months from the date of acquisition.

Total liabilities amounted to CI\$6.3 million, the majority of which comprise of a CI\$3.8 million surplus payable that represents the surplus earned during the period and which will be repaid to the Cabinet during the 2019 financial year.

Net assets, which are Total Assets less Total Liabilities, amounted to CI\$20.7 million.



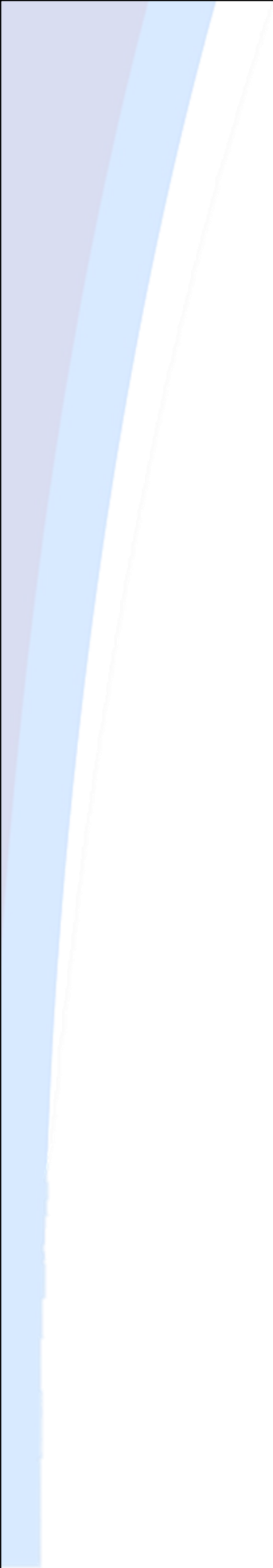
The Statement of Financial Performance, as shown on page 7 of the financial statements, shows that the Ministry earned CI\$30.4 million in revenue for the 12-month period. Most of this revenue was earned from the delivery of outputs to Cabinet and administrative fees and user charges levied on the public for the delivery of services.

The Ministry incurred CI\$26.6 million in operating expenses during the year, of which CI\$20.5 million or 77% comprise of personnel costs. Personnel costs include salaries, health insurance and pension.

The net operating surplus, which is Total Revenue less Total Expenses, amounted to CI\$3.8 million. The surplus will be repaid to the Cabinet during the 2019 financial year.

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Appendix A



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CAYMAN ISLANDS GOVERNMENT

Ministry of Finance & Economic Development

Financial Statements

For the year ending 31 December 2018

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Statement of Financial Performance	7
Statement of Changes in Net Worth	8
Cash Flow Statement	9
Description and Principal Activities and Notes to the Financial Statements	10

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
31 DECEMBER 2018

These financial statements are prepared by the Ministry of Finance & Economic Development (the "Ministry") in accordance with the provisions of the Public Management and Finance Law (2018 Revision), (the "Law").

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Law.

As Financial Secretary & Chief Officer, I am responsible for establishing, and have established and maintained, 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 the Ministry.

As Financial Secretary & Chief Officer, and Chief Financial Officer, we are responsible for the preparation of the 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 31 December 2018 and financial performance for the financial year ended 31 December 2018; and
- (b) comply with International Public Sector Accounting Standards ("IPSAS") as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available under IPSAS, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Board 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.



Kenneth Jefferson
Financial Secretary & Chief Officer
Ministry of Finance & Economic Development



Nina Vandine
Chief Financial Officer
Ministry of Finance & Economic Development

15 March 2019

AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly and the Financial Secretary and Chief Officer of the Ministry of Finance and Economic Development

Opinion

I have audited the financial statements of the Ministry of Finance and Economic Development (the "Ministry"), which comprise the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in net worth and cash flows statement for the year ended 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 27.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ministry as at 31 December 2018 and its financial performance and its cash flows for the year ended 31 December 2018 in accordance with International Public Sector Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Ministry in accordance with the the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Ministry's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Ministry or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITOR GENERAL'S REPORT (continued)

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a) of the Public Management and Finance Law (2018 revision). I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA
Auditor General

15 March 2019
Cayman Islands

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2018

Actual December 31, 2017 \$'000		Note	Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
	Current Assets					
14,193	Cash and cash equivalents	2	14,034	13,933	13,933	(101)
3,206	Trade receivables	3	3,149	3,279	3,279	130
251	Other receivables	3	643	2	2	(641)
266	Inventories	4	208	265	265	57
338	Prepayments	5	246	112	112	(134)
18,254	Total Current Assets		18,280	17,591	17,591	(689)
	Non-Current Assets					
8,791	Property, plant and equipment	6	8,366	9,163	9,163	797
1,150	Intangible Assets	7	292	595	595	303
9,940	Total Non-Current Assets		8,658	9,758	9,758	1,100
28,194	Total Assets		26,938	27,349	27,349	411
	Current Liabilities					
327	Trade payables	8	262	114	114	(148)
2,403	Other payables and accruals	8	1,098	1,932	1,932	834
524	Unearned revenue	9	433	620	620	187
623	Employee entitlements	10	627	532	532	(95)
5,185	Repayment of surplus	22	3,837	3,554	3,554	(283)
9,062	Total Current Liabilities		6,257	6,752	6,752	495
9,062	Total Liabilities		6,257	6,752	6,752	495
19,132	Net Assets		20,681	20,596	20,596	(85)
	NET WORTH					
20,628	Contributed capital		21,068	22,088	22,088	1,020
(1,496)	Accumulated surpluses/(deficits)		(387)	(1,492)	(1,492)	(1,105)
19,132	Total Net Worth		20,681	20,596	20,596	(85)

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

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 December 2018

Prior Year Actual December 31, 2017 \$'000			Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
Revenue						
36,269	Sale of goods and services	11	30,379	31,748	32,014	1,369
8	Investment revenue	12	37	1	1	(36)
36,277	Total Revenue		30,416	31,749	32,015	1,333
Expenses						
25,076	Personnel costs	13	20,497	21,518	21,780	1,021
4,754	Supplies and consumables	14	4,029	4,326	4,330	297
930	Depreciation	6	843	885	885	42
321	Amortization of Intangible Assets	6	109	109	109	(0)
22	Impairment of inventory	4	82	-	-	(82)
(6)	(Gains)/losses on foreign exchange transactions	15	(4)	-	-	4
(4)	(Gains)/losses on disposal/revaluation of property, plant and equipment	15	(1)	-	-	1
-	Impairment of intangible asset	15	968	1,300	1,300	332
-	Other expenses		56	57	57	1
31,092	Total Expenses		26,579	28,195	28,461	1,616
5,185	Surplus for the year		3,837	3,554	3,554	(283)

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

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 31 December 2018

	Contributed Capital \$'000	Accumulated Surplus/(deficits) \$'000	Total Net worth \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
Balance as at 30 June 2016	15,915	(1,493)	14,422	14,465	14,465	43
Prior Year Adjustments	-	(3)	(3)	(43)	(43)	(40)
Restated balance	15,915	(1,496)	14,419	14,422	14,422	3
Changes in Net Worth for 2016/17						
Equity Investment from Cabinet	4,713	-	4,713	4,672	4,672	(41)
Capital withdrawals by Cabinet	-	-	-	-	-	-
Repayment of surplus to Cabinet	-	(5,185)	(5,185)	(5,218)	(5,218)	(33)
Net revenue / expenses recognised directly in net worth	4,713	(5,185)	(472)	(544)	(544)	(72)
Surplus/(deficit)for the period 2017	-	5,185	5,185	5,218	5,218	33
	4,713	-	4,713	4,674	4,674	(39)
Balance at 31 December 2017 carried forward	20,628	(1,496)	19,132	19,096	19,096	(36)
	Contributed Capital	Accumulated Surplus/(deficits)	Total Net worth	Original Budget	Final Budget	Variance (Orig vs Actual)
Balance at 31 December 2017 brought forward	20,628	(1,496)	19,132	19,096	19,096	(36)
Changes in Net Worth for 2018						
Prior Year Adjustments	-	1,109	1,109	-	-	(1,109)
Restated balance	20,628	(387)	20,241	19,096	19,096	(1,145)
Changes in net worth for 2018						
Equity Investment from Cabinet	440	-	440	1,500	1,500	1,060
Capital withdrawals by Cabinet	-	-	-	-	-	-
Repayment of surplus/Dividends to Cabinet	-	(3,837)	(3,837)	(3,554)	(3,554)	283
Net revenue / expenses recognised directly in net worth	440	(3,837)	(3,397)	(2,054)	(2,054)	1,343
Surplus/(deficit)for the period 2018	-	3,837	3,837	3,554	3,554	(283)
	440	-	440	1,500	1,500	1,060
Balance at 31 December 2018	21,068	(387)	20,681	20,596	20,596	(85)

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

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 December 2018

Prior Year Actual December 31, 2017 \$'000		Current Year Actual \$'000	Original Budget \$'000	Final Budget \$'000	Variance (Orig vs Actual) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
	<i>Receipts</i>				
29,662	Outputs to Cabinet	23,273	25,449	25,449	2,176
6,399	Sale of goods and services	6,709	6,355	6,355	(354)
2	Interest received	8	1	1	(7)
-	Other receipts	-	19	19	19
	<i>Payments</i>				
(25,022)	Personnel costs	(20,494)	(21,488)	(21,488)	(994)
(4,304)	Supplies and consumables	(4,289)	(4,091)	(4,091)	198
6	Other payments	(52)	(57)	(57)	(5)
6,743	Net cash flows from operating activities	5,155	6,188	6,188	1,033
CASH FLOWS FROM INVESTING ACTIVITIES					
(1,072)	Purchase of property, plant and equipment	(570)	(1,617)	(1,617)	(1,047)
4	Proceeds from sale of property, plant and equipment	1	-	-	(1)
(1,068)	Net cash flows from investing activities	(569)	(1,617)	(1,617)	(1,048)
CASH FLOWS FROM FINANCING ACTIVITIES					
576	Equity Investment from Org 40	440	1,500	1,500	1,060
(3,481)	Repayment of Surplus to Org 40	(5,185)	(5,218)	(5,218)	(33)
(2,906)	Net cash flows from financing activities	(4,745)	(3,718)	(3,718)	1,027
2,769	Net increase/(decrease) in cash and cash equivalents	(159)	853	853	1,012
11,424	Cash and cash equivalents at beginning of year	14,193	13,080	13,080	(1,113)
14,193	Cash and cash equivalents at end of year	14,034	13,933	13,933	(101)

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

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Description and Principal Activities

The Ministry of Finance & Economic Development (the "Ministry") is a Government entity as defined by section 2 of the Public Management and Finance Law (2018 Revision) (the "Law").

Its principal activities and operations include all activities carried out in terms of the Outputs purchased by the Minister of Finance & Economic Development as defined in the Annual Plan and Estimates for the Government of the Cayman Islands (the "Government") for the year ended 31 December 2018. The purpose of the Ministry 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 Government. The Ministry consists of several departments, including Customs Department, Economics and Statistics Office, Finance Administration, Risk Management, Treasury and Postal Service.

Note 1: Significant Accounting Policies

These financial statements are 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 Accounting Standards issued by the International Accounting Standards Board, are used.

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 (CI\$) and are prepared on the accrual basis of accounting, unless otherwise stated. The statements are rounded to the nearest thousand. Any discrepancies between totals and sums of components are due to rounding. The measurement base applied to these financial statements is the historical cost basis, unless otherwise stated.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2018 and not early adopted.

Certain new accounting standards have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Ministry. The Ministry's assessments of the impact of these new standards are set out below.

IPSAS 40, Public Sector Combinations was issued in January 2017 and shall be applied for annual financial statements covering periods beginning on or after 1 January 2019. It is not anticipated in the future that the Ministry will be combined with any other public sector entity and therefore it is anticipated this standard will not be applicable to the Ministry in future periods.

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It is anticipated that IPSAS 41 will not have a significant impact on the Ministry's financial statements. This will be assessed more fully closer to the effective date of adoption.

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that IPSAS 42 will not have an impact on the Ministry's financial statements, but this will be assessed more fully closer to the effective date of adoption.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

The financial year end of the Ministry was changed from 30 June to 31 December in order to facilitate more efficient monitoring of revenues and expenditures by Government during a financial year. This change facilitated Government's ability to make meaningful adjustments to its expenditure plans to mitigate any adverse revenue performance. Accordingly, the current financial statements are prepared for from 1 January 2018 to 31 December 2018 and as a result, the comparative figures are for the 18-month period from 1 July 2016 to 31 December 2017 stated in the Statement of Financial Performance, Statement of Changes in Net Worth, Cash Flow Statement and related notes are not directly comparable.

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 budget amounts for the year ended 31 December 2018 financial period are as presented in the 2018 Annual Budget Statement and the amounts are rolled up into the Annual Plan and Estimates document which was presented to the Legislative Assembly. Any changes to the original budget are reflected in the final budget and have been approved by supplementary budget on 15 November 2018. As required by the Law, budgets are presented on the same basis as the annual financial statements.

Judgments and Estimates

The preparation of financial statements in conformity with IPSAS requires judgments, estimates, and assumptions to effect 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.

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).

The Ministry derives its revenue through the provision of services to Cabinet, other agencies in Government and 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 leases, 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 twelve months from the date of acquisition.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Inventory

Inventory held for distribution, or consumption in the provision of services, that are not issued on a commercial basis are measured at the lower of cost and net realizable value. Where inventories are acquired at no cost, or for nominal consideration, the amount reported is the current replacement cost at the date of acquisition.

The amount reported for inventory held for distribution reflects management's estimates for obsolescence or other impairments.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realizable value.

Prepayments

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

Property, Plant and Equipment

Property, Plant and equipment are stated at historical cost upon initial recognition less accumulated depreciation. 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.

Property, Plant and equipment reported in the Statement of Financial Position as of the year end are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment loss. Revaluation are performed with sufficient regularity such that the carry amounts do not differ materially for those that would be determined using fair values at the end of each reporting year.

Any revaluation increase arising on the revaluation of such assets is recognized in the Statement of Changes in Net Worth (equity), except to the extent that it reverses a revaluation decrease for the same class of asset previously in surplus or deficit in the Statement of Financial Performance, in which case the increase is credited to the surplus or deficit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognized in surplus and deficit to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to previous revaluation of that class of asset.

Assets Under Construction

Assets under construction or development are carried at cost, less any recognized impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets (on the same basis as the asset category) commences when the assets are ready for their intended use.

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Depreciation

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 and assets under construction); 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.

<u><i>Asset Type</i></u>	<u><i>Estimated Useful life (in Years)</i></u>
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

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 estimated useful life. Amortization begins when the asset is available for use and ceases at the date that the asset is derecognized. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately (if any) are carried at cost less accumulated impairment losses. Amortization charge for each year is recognized in the Statement of Financial Performance.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all the following have been demonstrated:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) the intention to complete the intangible asset and use or sell it;
- c) the ability to use or sell the intangible asset;
- d) how the intangible asset will generate probable future economic benefits;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Derecognition of Assets

An item of property, plant and equipment and intangible asset is derecognized upon disposal or when no future economic benefits are expected to rise from the continued use of the asset.

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.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
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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 the Ministry are paid to the Public Service Pension Fund (the "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 only operated a defined benefit scheme. With effect from 1 January 2000 the Board continued to operate a defined benefit scheme for existing employees and introduced 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 Government.

Financial Instruments

The Ministry 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 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 trade 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 liabilities comprise of accounts payable and accrued expenses.

Recognition

The Ministry 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.

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-recognised when the Ministry 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.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

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.

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 year 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 Section 39 (3) (f) of the Law any net Surplus is transferred to Surplus repayable.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank accounts in the name of the Ministry and are maintained at Royal Bank of Canada, with short term deposits invested with the Government's Treasury. As at 31 December 2017 and 31 December 2018, the Ministry's unrestricted cash balances were, as presented below. No restricted cash balances were held at 31 December 2018.

Prior Year Actual December 31, 2017	Description	Foreign Currency	Exchange Rate	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
5	Cash on hand			5	5	5	-
26	Cash in transit			63	23	23	(40)
13,383	CI\$ Operational Current Account			9,877	12,791	12,791	2,914
58	US\$ Operational Current Account	98	0.84	82	76	76	(6)
(8)	Payroll Current Account			206	329	329	123
27	Bank Accounts held at other financial institutions			92	7	7	(85)
702	Treasury Internal Deposits			3,709	702	702	(3,007)
14,193	TOTAL			14,034	13,933	13,933	(101)

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Note 3: Trade Receivables and Other Receivables

At year end all overdue receivables are assessed and appropriate provisions made. The provision for doubtful debts are calculated based on expected losses for the Ministry and review of specific debtors. Expected losses are determined based on an analysis of the Ministry's losses in previous years.

Prior Year Actual December 31, 2017		Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Trade Receivables				
720	Sale of goods and services	512	380	380	(132)
2,486	Outputs to Cabinet	2,637	2,899	2,899	262
-	Less: provision for doubtful debts	-	-	-	-
3,206	Total trade receivables	3,149	3,279	3,279	130

Actual Prior Year	Other Receivables	Actual Current Year	Original Budget	Final Budget	Variance (Org vs Actual)
-	Advances (salary, Official Travel, etc)				
1	Dishonoured cheques	-	-	-	-
7	Interest receivable	36	2	2	(34)
243	Other Receivable	607	-	-	(607)
-	Less: provision for doubtful debts	-	-	-	-
251	Total other receivables	643	2	2	(641)

Actual Prior Year	Receivables	Trade Receivable	Other Receivable	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
3,152	Past due 1-30 days	3,005	644	3,648	3,134	3,134	(515)
278	Past due 31-60 days	48	-	48	-	-	(48)
12	Past due 61-90 days	42	-	42	-	-	(42)
10	Past due 90 and above	45	-	45	148	148	103
	Non-Current						
6	Past due 1 year and above	9	-	9	-	-	(9)
3,458	Total	3,149	644	3,792	3,281	3,281	(511)

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Note 4: Inventories

Prior Year Actual December 31, 2017	Description	Current Period Actual	Original Budget	Final Budget	Variance (Orig vs Actual)
266	Inventory held for use in the provision of goods and services	291	265	265	-26
-	Inventory held for sale	-	-	-	-
-	Impairment of Inventory	83	-	-	83
266	Total Inventories	208	265	265	57

Note 5: Prepayments

Prior Year Actual December 31, 2017	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Current				
338	Accrued Prepayments	246	112	112	(134)
-	Prepaid Insurance	-	-	-	-
338	Total Current	246	112	112	(134)
	Non-Current				
-	Accrued Prepayments	-	-	-	-
-	Prepaid Insurance	-	-	-	-
338	Total Prepayments	246	112	112	(134)

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$'000's)

Note 6: Property, plant and equipment

	<i>Plant and equipment</i>	<i>Buildings and Leasehold</i>	<i>Furniture and Office Equipment</i>	<i>Computer Hardware</i>	<i>Other assets</i>	<i>Motor Vehicles</i>	<i>Assets under construction or development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
Cost or Opening Valuation	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance as at 1 July 2016	973	1,823	462	123	-	2,600	496	6,477	6,477	6,477	(0)
Additions	39	-	17	9	-	67	926	1,058	1,418	1,418	360
Disposals	-	-	-	-	-	(16)	-	(16)	-	-	16
Transfers	122	5,940	367	135	-	287	(1,423)	5,427	5,428	5,428	1
Balance as at 31 December 2017	1,134	7,763	845	267	-	2,938	-	12,947	13,323	13,323	376

	<i>Plant and equipment</i>	<i>Buildings and Leasehold</i>	<i>Furniture and Office Equipment</i>	<i>Computer Hardware</i>	<i>Other assets</i>	<i>Motor Vehicles</i>	<i>Assets under construction or development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance as at 1 Jan 2018	1,134	7,763	845	267	-	2,938	-	12,947	13,323	13,323	375
Additions	108	-	93	8	26	167	16	418	917	917	499
Revaluations	-	-	-	-	-	-	-	-	-	-	-
Disposals	(126)	-	(304)	(2)	-	-	-	(432)	-	-	432
Transfers	-	-	-	-	-	(102)	-	(102)	-	-	102
Balance at 31 December 2018	1,116	7,763	634	273	26	3,003	16	12,831	14,240	14,240	1,407

Accumulated Depreciation and Impairment Losses	<i>Plant and equipment</i>	<i>Buildings and Leasehold</i>	<i>Furniture and Office Equipment</i>	<i>Computer Hardware</i>	<i>Other assets</i>	<i>Motor Vehicles</i>	<i>Assets under construction or development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance as at 1 July 2016	598	25	391	117	-	1,182	-	2,313	2,313	2,313	-
Transfers	105	193	295	121	-	216	-	930	930	930	-
Depreciation Expense	146	266	44	15	-	459	-	930	965	965	35
Eliminate on Disposal	-	-	-	-	-	(16)	-	(16)	(16)	(16)	-
Balance as at 31 December 2017	849	484	730	252	-	1,841	-	4,156	4,191	4,191	35

	<i>Plant and equipment</i>	<i>Buildings and Leasehold</i>	<i>Furniture and Office Equipment</i>	<i>Computer Hardware</i>	<i>Other assets</i>	<i>Motor Vehicles</i>	<i>Assets under construction or development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance as at 1 Jan 2018	849	484	730	252	-	1,841	-	4,156	4,191	4,191	35
Transfers	-	-	-	-	-	-	-	-	-	-	-
Depreciation Expense	120	351	38	10	4	320	-	843	885	885	42
Eliminate on Disposal/Revaluation	(126)	-	(304)	(2)	-	(102)	-	(534)	-	-	534
Balance at 31 December 2018	843	835	464	260	4	2,059	-	4,465	5,077	5,077	611
Net Book value 31 December 2017	285	7,279	115	15	-	1,097	-	8,791	9,132	9,132	340
Net Book value 31 December 2018	273	6,928	170	13	22	944	16	8,366	9,163	9,163	797

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$'000's)

Note 7: Intangible assets

	<i>Computer Software</i>	<i>Assets under development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
Cost or Opening Valuation	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2016	2,149	-	2,149	2,149	2,149	(0)
Additions	-	71	71	226	226	154
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance as at 31 December 2017	2,149	71	2,220	2,374	2,374	154

	<i>Computer Software</i>	<i>Assets under development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 Jan 2018	2,149	71	2,220	2,374	2,374	154
Additions	-	219	219	700	700	481
Disposals	(2,027)	-	(2,027)	(1,300)	(1,300)	727
Transfers	-	-	-	-	-	-
Balance at 31 December 2018	122	290	412	1,774	1,774	1,362

	<i>Computer Software</i>	<i>Assets under development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
Accumulated Amortization and Impairment Losses	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2016	749	-	749	749	749	(0)
Transfers	-	-	-	-	-	-
Depreciation Expense	321	-	321	321	321	(0)
Eliminate on Disposal	-	-	-	-	-	-
Balance as at 31 December 2017	1,070	-	1,070	1,070	1,070	(0)

	<i>Computer Software</i>	<i>Assets under development</i>	<i>Total</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Variance (Orig vs Actual)</i>
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 Jan 2018	1,070	-	1,070	1,070	1,070	(0)
Transfers	-	-	-	-	-	-
Depreciation Expense	109	-	109	109	109	(0)
Eliminate on Disposal/Revaluation	(1,059)	-	(1,059)	-	-	1,059
Balance at 31 December 2018	121	-	121	1,179	1,179	1,059
Net Book value 31 December 2017	1,078	71	1,150	1,303	1,303	153
Net Book value 31 December 2018	1	290	292	595	595	303

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
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The Ministry has software CIMS (Customs Information and Management System) under development to replace TRIPS (which was implemented in 2013 and was written off as of 31 July 2018) as there is a need to manage the risk of ownership and control. TRIPS was not owned by Customs and the high cost of maintenance and enhancements was a growing concern. CIMS will facilitate the new automated plan of Customs as well as allow for the instant sharing of information and intelligence across Customs and with stakeholders where necessary.

Note 8: Trade Payables, Other Payables and Accruals

Prior Year Actual December 31, 2017	Description	Current	Non-current	Total Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
192	Creditors	48	-	48	114	114	66
133	Creditors Ministries/Portfolios	214	-	214	-	-	(214)
2	Creditors other government agencies	-	-	-	-	-	-
656	Accrued Expenses	413	-	413	501	501	88
1,733	Accrued Expenses Ministries/Portfolios	642	-	642	1,400	1,400	758
2	Accrued Expenses other government agencies	30	-	30	20	20	(10)
12	Other payables	13	-	13	11	11	(2)
2,730	Total trade payables, other payables & accruals	1,360	-	1,360	2,046	2,046	686

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

Note 9: Unearned Revenue

Prior Year Actual December 31, 2017	Details	Current Period Actual	Original Budget	Final Budget	Variance (Orig vs Actual)
	Current Portion				
524	Other unearned revenue	433	620	620	187
524	Total current portion	433	620	620	187
-	Non-current Portion	-	-	-	-
-	Non current Unearned revenues	-	-	-	-
524	Total unearned revenue	433	620	620	187

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
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Note 10: Employee Entitlements

Prior Year Actual December 31, 2017	Description	Actual Current Year	Original Budget	Revised Budget	Variance (Orig vs Actual)
<i>Current employee entitlements are represented by:</i>					
78	Comp Time	35	20	20	(15)
322	Annual Leave	337	302	302	(35)
78	Accrued salaries	103	45	45	(58)
145	Pension	152	165	165	13
623	Total current portion	627	532	532	(95)
<i>Non-current employee entitlements are represented by:</i>					
-	Retirement and long service leave	-	-	-	-
623	Total employee entitlements	627	532	532	(95)

The annual leave entitlements and compensated absence (Comp time) are calculated on current salary paid to those employees eligible for this benefit.

Note 11: Sale of Goods and Services

Prior Year Actual December 31, 2017	Revenue type	Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
29,403	Outputs to Cabinet	23,406	25,349	25,615	1,943
130	Outputs to other government agencies	86	121	121	35
2,641	Fees and charges	2,058	1,801	1,801	(257)
3,511	General Sales	3,681	3,458	3,458	(223)
585	Other	1,148	1,019	1,019	(129)
36,269	Total sales of goods and services	30,379	31,748	32,014	1,369

Outputs to Cabinet comprises goods delivered to and services performed on behalf of the Government.

Outputs to other Government agencies comprises trade between the Ministry and other government bodies. These are arm length transactions governed by Service Level Agreements between the contracting parties.

Fees & charges, general sales & others include 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.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
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(Amounts Expressed in CI \$000's)

Note 12: Investment Revenue

Prior Year Actual December 31, 2017	Source	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
8	Interest on deposits held with Cabinet	37	1	1	(36)
8	Total Investment Revenues	37	1	1	(36)

Note 13: Personnel Costs

Prior Year Actual December 31, 2017	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
20,317	Salaries, wages and allowances	16,545	17,275	17,271	730
3,659	Health care	3,091	3,271	3,537	180
1,082	Pension	868	951	951	83
(14)	Leave	(28)	15	15	43
32	Other personnel related costs	21	7	7	(14)
25,076	Total Personnel Costs	20,497	21,518	21,780	1,021

Note 14: Supplies and Consumables

Prior Year Actual December 31, 2017	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
430	Supplies and Materials	400	399	399	(1)
2,665	Purchase of services	2,324	2,485	2,489	161
117	Lease of Property and Equipment	137	139	139	2
478	Utilities	545	507	507	(38)
195	General Insurance	-	-	-	-
575	Interdepartmental expenses	425	420	420	(5)
84	Travel and Subsistence	56	83	83	27
194	Recruitment and Training	132	284	284	152
16	Other	11	9	9	(2)
4,754	Total Supplies & consumables	4,029	4,326	4,330	297

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
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Note 15: Gains/(Losses)

Prior Year Actual December 31, 2017	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
(4)	Net (gain) / loss on disposal of property, plant and equipment	(1)	-	-	1
-	Impairment of intangible asset	968	1,300	1,300	332
(6)	Net (gain) / loss on foreign exchange Transactions	(4)	-	-	4
(10)	Total gain/ (losses)	963	1,300	1,300	337

Note 16: Contingent Liabilities and Assets

The Ministry has no contingent assets as at 31 December 2018. Any contingent liabilities relating to the Ministry as at 31 December 2018 are reported in the consolidated accounts for the Government.

Note 17: Explanation of major variances against budget

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

Statement of Financial Performance

Sale of Goods and Services Revenue

Revenue was below budget by \$1.333 million. This net variance is due to the inability to bill Cabinet for unspent appropriations in addition to lower expenditures by departments. The Ministry only bills for Cabinet Revenue as the expenditures occur. The actual personnel cost was less than budget by 1 million which resulted in the actual revenue being below budget.

Final Budget is \$266 thousand greater than original budget due to increase funding for health care premiums.

Personnel Costs

The actual year-personnel costs were lower than the original budget by \$1.021 million due to vacant post not being filled. Final budget increased by \$262 thousand due to central government allocating additional funding as a result of increased health care premiums.

Supplies and Consumables

Supplies and Consumables costs were \$297 thousand below budget due to cost saving measures being implemented and in addition to the efficient use of allocated funds to derive value for money. Instances of this include work normally done by surveyors, coders and developers were hired by Economics and Statistics department for surveys were done in house. Engagement of consultants for Finance Administration was deferred until 2019. Training was postponed in Customs due to a number of variables such as demand for Custom services therefore staff could not be removed from their daily functions also the merger between Customs and Immigration consuming resource time.

Final budget increased by \$4 thousand due to janitorial services which were formally performed by a postal employee being contracted. As a result funding shifted in the budget from personnel cost to supplies and consumables in the amount of \$4 thousand.

Impairment of intangible asset

The actual impairment of intangible assets was \$332 thousand lower than budget due to TRIPS being written off later than anticipated.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Statement of Financial Position

Trade Receivables

The actual year-end trade receivable balance was lower than the budget by \$130 thousand which is the net of cabinet billing and sale of goods and services. Cabinet Billing receivable was lower than budget by \$262 thousand due to expenditures being less than budget resulting in lower billing, however the sale of goods and services was higher than budget by \$132 thousand receivable due to improved collection of payments throughout the year.

Other Receivables

The actual year-end other receivable balance was higher than the original budget by \$641 thousand due to interest receivable and postal terminal dues receivable much higher than anticipated.

Prepayments

The actual year end prepayments were higher than the original budget by \$134 thousand due to the timing of payments on various contracts and subscriptions.

Property, Plant and Equipment

The actual year end property, plant and equipment ("PPE") were lower than the original budget by \$797 thousand as a result of the point of sale system (intangible asset) which was not purchased, computer hardware for that system was not purchased. In consultation with the project team and Public Works it was determined that warehouse upgrades were going to cost more than the budget therefore the recommendation was to delay the project.

Intangible Assets

The actual year end intangible assets were lower than the original budget by \$303 thousand due to the writing off of TRIPS and postal point of sales system was not purchased during the period.

Trade Payables, Other Payables and Accruals

The actual year end payables and accrual balances were lower than the original budget by \$686 thousand due to timing of payments being made and the reversal of an accrual for audit fees that were no longer applicable.

Unearned Revenue

The actual year end unearned revenue was lower than the original budget by \$187 thousand due to the variable nature of when customers make payments throughout the year and therefore becomes a timing issue.

Repayment of Surplus

The actual year end repayment of Surplus balance was higher than the original budget by \$283 thousand due to a higher than anticipated surplus for the year.

Cash Flow Statement

Cash from Operating Activities

Cash from operating activities was under budget by \$1.033 million due to lower expenditures and lower cabinet revenues than budgeted.

Cash from Investing Activities

Cash from investing activities was less than budget by \$1.048 million due the postal point of sales system and other capital items that were not purchased.

Cash from Financing Activities

The cash outflow from financing was under budget by \$1.027 million, was a result of PPE that was budgeted was not purchased which resulted in equity injection not being requested.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Note 18: Related Party and Key Management Personnel Disclosures

Related party disclosure

The Ministry is an 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 are provided free of cost during the year ended 31 December 2018 and are consistent with normal operating relationships between entities and are undertaken on terms and conditions that are normal for such transactions.

Key Management Personnel

Key management personnel are also considered to be related parties and received the following remuneration.

Prior Year Actual December 31, 2017	Description	Actual Current Year	Number of posts
1,467	Salaries & other short-term employee benefits	1,195	10
162	Other long-term benefits	134	
<u>1,629</u>	<u>Total</u>	<u>1,329</u>	

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

Note 19: Events Occurring After Reporting Date

No significant events after the reporting date.

Note 20: Financial Instrument Risks

The Ministry is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and bank balances, accounts receivable, Cabinet receivable 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. The Ministry does not have significant concentrations of credit risk for its other financial instruments.

Currency and Interest Rate Risk

The Ministry has no significant exposure to currency exchange loss risk nor interest rate risk.

Liquidity Risk

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

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

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Note 21: Segment Reporting

	FIN ADMIN	RSK	CUS	ESO	TSY	POS	CPO	TOTAL
Revenue								
Outputs from Cabinet	1,469	82	13,054	1,890	4,480	1,974	456	23,406
Sale of goods and services	-	-	3,837	-	105	3,033	-	6,975
Other revenue	37	-	-	-	-	-	-	37
Total Revenue	1,506	82	16,892	1,890	4,585	5,007	456	30,418
Expenses								
Salaries and Wages	1,418	81	9,810	1,590	3,644	3,703	252	20,498
Other expenses	88	1	3,244	300	941	1,305	204	6,082
Total Expenses	1,506	82	13,054	1,890	4,585	5,007	456	26,580
Net Surplus/ (Deficit)	-	-	3,837	-	-	-	-	3,837
Assets								
Current Assets	16,704	-	437	7	175	914	43	18,280
Non-Current Assets	7	-	4,480	5	10	4,156	-	8,658
Total Assets	16,711	-	4,917	12	185	5,070	43	26,938
Total Liabilities	(4,092)	(4)	(605)	(72)	(1,867)	(769)	(8)	(7,417)
Total Capital Expenditures	-	-	423	2	1	14	-	440

Joint assets and liabilities held as common are directly managed by the Finance Administration (FIN ADMIN) section; 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.

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 section processes applications for fees and customs duty waivers, stamp duty abatements and assessments, government loans to Civil Servants, as well as providing administrative support and monitoring the performance of Departments under the Ministry.

The Risk Management Unit's (RSK) primary purpose is develop, implement and coordinate 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 Government.

The Customs Department (CUS) is responsible for collecting and protecting Government's revenue, facilitating legitimate trade and controlling prohibited and restricted goods in a cost effective manner while preserving a safe environment for all. Customs activities include: processing and inspecting of vessels and aircrafts; collection of duties; providing policy advice on Customs related matters and border control and enforcement.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts Expressed in CI \$000's)

Note 21: Segment Reporting
(continued)

The Economic and Statistics Office (ESO) monitors the economy, develops economic policies and plans, and advises the Government on a range of economic issues to sustain growth in the Islands. The ESO also conducts and analyses 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 Treasury Department (TSY) is responsible for the preparation and the consolidation of the forecast and annual financial statements for core Government and the Entire Public Sector (EPS), as required by section 29(A) of the Law, using IPSAS. Treasury has oversight for the management and forecasting of core government cash flows, negotiation, evaluation and administration of core Government borrowings. It is responsible for the design, quality assurance and management of the budget and reporting processes for the EPS; this includes coordinating and preparing an annual timeline, strategic policy statement, plan and estimates, budget statements, ownership and purchase agreements and revenue forecasts. The Treasury also provides financial management services to Ministries/Portfolios and the Cabinet.

The Cayman Islands Postal Services (POS) is the Government Department designated as the postal operator responsible for fulfilling the Government's obligations arising from adherence to the Universal Postal Union Convention in the Cayman Islands. As the designated postal operator, the Postal Service is charged with ensuring that postal services are accessible to all residents and visitors in the territory and operates a network of 16 Postal Services across all Islands. It is also part of a network of over 700,000 postal outlets worldwide. Core postal services are domestic and international in scope and encompass ordinary letter mail including mail with certified posting, registered mail, prepaid postage (franking meters and online meters), parcels, re-direction of mail, safe mail as well as the postal industry's courier service – Express Mail Service (EMS).

The Central Procurement Office (CPO) provides training, advice and guidance to all entities and persons involved in public procurement.

Note 22: Surplus Payable

Surplus payable represents Surplus of \$3.837 million earned during the year ended 31 December 2018 (2017: \$5.185 million), and which is to be repaid to the Cabinet, in the next financial year.

Note 22: Subsequent Event

Following the formation of the Cayman Islands Customs and Border Control, the Customs department was reassigned to the Ministry of Human Resources and Immigration effective February 1, 2019 and therefore ceases to be a department of the Ministry of Finance on the effective date.

