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Grand Cayman, KY1-1103, Cayman Islands

11 June 2012

Ms. Dorine Whittaker

Chief Officer
Ministry of Community Affairs, Gender & Housing
5th Floor, Government Administration Building, Box 109
133 Elgin Avenue
Grand Cayman KY1-9000
CAYMAN ISLANDS

Dear Ms. Whittaker:

SUBJECT: REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2010/11 AUDIT

We have completed our audit of the 30 June 2011 financial statements of your Ministry. International Standards on Auditing (ISAs) require that we communicate certain matters which came to our attention during the audit to those charged with governance in sufficient time to enable appropriate action.

The enclosed report sets out for the consideration of those charged with governance those matters arising from our audit that I consider are worthy of drawing to your attention.

If you have any questions on the contents of this letter please contact the Audit Principal Mr. Patrick Smith at 244-3204.

Yours sincerely,

Garnet Harrison
Acting Auditor General

Copied to;

Stephanie Azan – Chief Financial Officer



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Yours sincerely,

Garnet Harrison

Acting Auditor General

Copied to;

Stephanie Azan – Chief Financial Officer



**Ministry of Community Affairs, Gender
& Housing
Financial Statements
For the year ended 30 June 2011**

Contents	Page
Statement of Responsibility	1
Auditor General's Report	2-3
Statement of Financial Performance	4
Statement of Changes in Net Worth	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Accounting Policies	8-13
Notes to the Financial Statements	14-21



Cayman Islands

Ministry of Community Affairs, Gender & Housing
Government Administration Building,
Georgetown,
Grand Cayman
Cayman Islands
Tel: 345-945-6705
Fax: 345-945-1752

Ministry of Community Affairs, Gender & Housing STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2011

These Financial statements have been prepared by Ministry of Community Affairs, Gender & Housing in accordance with the provisions of the Public Management and Finance Law (2010 Revision)

We accept responsibility for the accuracy and integrity of the information in these Financial statements and their compliance with the *Public Management and Finance Law (2010 Revision)*.

As Chief Officer and Chief Financial Officer, we are responsible for establishing and maintaining a system of internal controls designed to provide a reasonable assurance that the transactions recorded in the financial statements are authorized by law and properly record the output transactions of the Ministry of Community Affairs, Gender & Housing.

As Chief Officer and Chief Financial Officer we are responsible for the preparation of the Ministry of Community Affairs, Gender & Housing financial statements and the judgments made therein.

The financial statements fairly present the financial position, financial performance and cash flows of the Ministry of Community Affairs, Gender & Housing for the financial year ended 30 June 2011.

To the best of our knowledge we represent that these financial statements:

- a) completely and reliably reflect the financial transactions of the Ministry of Community Affairs, Gender & Housing for the year ended June 30, 2011; or
- b) fairly reflect the financial position as at June 30, 2011 and performance for the year ended June 30, 2011; and
- c) comply with International Public Sector Accounting Standards as set by the International Accounting Standards Board

A black ink signature of Dorine Whittaker.

Dorine Whittaker
Chief Officer
Date: 8th May 2012

A blue ink signature of Stephanie Azan.

Stephanie Azan
Chief Finance Officer
Date: 8th May 2012

**Auditor General's Report
To the Members of the Legislative Assembly of the Cayman Islands**

AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly of the Cayman Islands

I have audited the accompanying financial statements of the **Ministry of Community Affairs, Gender & Housing** (the "Ministry"), which comprise the statement of financial position as of 30 June 2011, and the statement of financial performance, statement of changes in net worth and cash flow statement, for the year then ended and a summary of significant accounting policies and other explanatory notes, in accordance with the provisions of Section 44(3) of the *Public Management and Finance Law (2010 Revision)* ("PMFL").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards ("IPSAS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis of qualified opinion

Property & Equipment

The Ministry has not revalued its buildings within five (5) years preceding the year ended June 30 2011 in accordance with The Financial Regulations (2008 revision) and as required by IPSAS 17. This is despite suggestive evidence of the need for a revaluation since most of the buildings had suffered significant damages and subsequently been renovated and improved at significant cost. I am thus unable to satisfy myself that the property and equipment are fairly stated in the financial statements.

Net worth

I am unable to verify the amount presented in net worth due to the uncertainties surrounding the value of the entity's fixed assets.

Qualified Opinion

In my opinion, except for the effects of the matters described in the basis of qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Ministry as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands

Date: 8 May 2012

Ministry of Community Affairs, Gender & Housing
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 June 2011

	Note	2010/11 Actual	2010/11 Budget	Variance (Actual vs Budget)	2009/10 Actual
Revenue					
Sale of goods and services	1	13,304,556	15,403,960	(2,099,404)	14,995,213
Donations		64,685	-	64,685	70,467
Other revenue		88,026	-	88,026	66,520
Total Revenue		13,457,267	15,403,960	(1,946,693)	15,132,200
Personnel costs	2	10,198,453	11,993,704	(1,795,251)	11,096,316
Supplies and consumables	3	2,834,181	3,274,717	(440,536)	2,527,516
Depreciation		192,575	135,539	57,036	251,859
Loss on disposal		83,090	-	83,090	-
Total Expenses		13,308,299	15,403,960	(2,095,661)	13,875,691
Surplus or (Deficit) for the period		148,967	-	148,967	1,256,509

The accounting policies and notes on pages 8 to 21 form part of these financial statements.

Ministry of Community Affairs, Gender & Housing
STATEMENT OF FINANCIAL POSITION
AS AT 30 June 2011

	Note	2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
Cash and cash equivalents	4	1,486,953	595,419	891,534	1,309,999
Trade receivables	5	850,605	-	850,605	848,097
Other receivables		-	1,286,663	(1,286,663)	-
Prepayments	6	-	8,113	(8,113)	-
Inventories		18,275	-	18,275	22,184
Total Current Assets		2,355,833	1,890,195	465,638	2,180,280
Non-Current Assets					
Property, plant and equipment	7	3,859,251	2,911,528	(222,361)	4,081,612
Total Non-Current Assets		3,859,251	2,911,528	(222,361)	4,081,612
Total Assets		6,215,084	4,801,723	1,413,361	6,261,892
Current Liabilities					
Trade payables		132,505	-	132,505	433,334
Other payables and accruals		344,949	1,661,733	(1,316,784)	323,001
Unearned revenue		-	-	-	15,250
Employee entitlements		(25,773)	418,184	(443,957)	(23,851)
Surplus Payable to Cabinet		1,278,534	58,481	1,220,053	1,256,509
Total Current Liabilities		1,730,215	2,138,398	(408,183)	2,004,243
Non-current liabilities		-	-	-	-
Total Liabilities		1,730,215	2,138,398	1,821,544	2,004,243
Net Assets		4,484,869	2,663,325	1,821,544	4,257,649
Contributed capital		4,484,869	524,927	1,821,544	4,257,649
Total Net Worth		4,484,869	524,927	1,821,544	4,257,649

The accounting policies and notes on pages 8 to 21 form part of these financial statements.

Ministry of Community Affairs, Gender & Housing
STATEMENT OF CHANGES IN NET WORTH
FOR THE YEAR ENDED 30 June 2011

	30.06.2010	30.06.2009	
	Actual	Budget	Variance
Opening balance net worth	4,257,649	2,663,325	1,594,324
Equity investment from Cabinet	111,837	-	111,837
Transfer of assets (Public Works Department)	71,492	-	71,492
Transfer of Cash from Executive (Org 23)	40,125	-	40,125
Donated Assets	3,766	-	3,766
Closing balance net worth	4,484,869	2,663,325	1,821,544

The accounting policies and notes on pages 8 to 21 form part of these financial statements..

Ministry of Community Affairs, Gender & Housing
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 June 2011

		2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
CASH FLOWS FROM OPERATING ACTIVITIES	Note				
Outputs to Cabinet		13,285,420	14,326,719	(1,041,299)	14,163,743
				-	
Donations		64,685	-	64,685	-
Other receipts		83,268	-	83,268	66,520
Personnel costs		(10,259,861)	(11,741,362)	1,481,501	(11,120,167)
Operating expenses		(3,131,428)	(2,135,987)	(995,441)	(1,771,529)
Other payments		(65,579)		(65,579)	(28,568)
Net cash flows from operating activities		(23,495)	449,370	(472,865)	1,309,999
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		48,488	(36,000)	84,488	(784,771)
Net cash flows from investing activities		48,488	(36,000)	84,488	(784,771)
CASH FLOWS FROM FINANCING ACTIVITIES					
Equity Investment		151,962	36,000	115,962	784,771
Net cash flows from financing activities		151,962	36,000	115,962	784,771
Net increase/(decrease) in cash and cash equivalents		176,954	449,371	(272,417)	1,309,999
Cash and cash equivalents at beginning of period		1,309,999	146,048	1,163,951	-
Cash and cash equivalents at end of period		1,486,953	595,419	891,534	1,309,999

The accounting policies and notes on pages 8 to 21 form part of these financial statements

Ministry of Community Affairs, Gender & Housing
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 June 2011

Description and principal activity

The Ministry of Community Affairs, Gender & Housing ("the Ministry") is a government entity established under the laws of The Cayman Islands. The Ministry was established in July 1, 2009 as a result of Government restructuring to mainly take over aspects of community and social work from the Ministry of Health & Human Services. The main mandate of the Ministry is addressing poverty, unemployment and social inequity in the Cayman Islands through the coordination of the departments under the ministry to ensure they achieve their required objectives.

During the year ended June 30, 2011, there were two departments under the Ministry, namely: Department of Children & Family Services and the Department of Counselling Services.

SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with the Public Management & Finance Law and the International Public Sector Accounting Pronouncements ("IPSAs"). The significant accounting policies adopted by the Ministry are as follows:

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will have a significant impact on these financial statements other than enhanced disclosures.

These financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented. The financial statements are presented in Cayman Islands dollars and the measurement base applied to these financial statements is the historical cost basis.

(a) Basis of preparation

In conformity with the Public Management & Finance law (2010 revision), the financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Financial Reporting Standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently.

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.

An estimate of the fair value of non exchange transactions has been included in the financial statements (Note 8)

Ministry of Community Affairs, Gender & Housing
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 June 2011

(b) Budget amounts

The original budget amounts for the financial year are as presented in the 2010/2011 Annual Budget Statement and approved by the Legislative Assembly on the 24 June 2010. The Final Budget is those budget amounts approved in Supplementary Budget Law on 24 June 2010. There were no subsequent changes to the original budget.

(c) Judgments and Estimates

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

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

(d) Changes in Accounting Estimates

No changes in accounting estimates

(e) 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 of Community Affairs, Gender and Housing derives its revenue through the provision of services to Cabinet, to other agencies in government and to third parties. Revenue is recognised at fair value of services provided.

(f) Expenses

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

(g) Operating leases

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

Ministry of Community Affairs, Gender & Housing
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 June 2011

(h) Cash and Cash Equivalents

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

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.

(i) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment and is classified as accounts receivable in these financial statements.

(j) Inventories

Inventories 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 realisable 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 realisable value.

Costs are assigned to inventories using specific identification as appropriate.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance in the period when the write-down occurs.

(k) Property, Plant and Equipment

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

Ministry of Community Affairs, Gender & Housing
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 June 2011

Property, Plant and Equipment (continued)

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

<u><i>Asset Type</i></u>	<u><i>Estimated Useful life</i></u>
• Buildings and structures	10 – 60 years
• Building fit-out (when accounted for separately)	5 – 25 years
• Leasehold Improvement improvement	Over the unexpired period of the lease or useful life
• Computer Equipment	3 – 10 years
• Developed software	4 – 10 years
• Office equipment and furniture	3 – 25 years
• Motor vehicles	3 – 20 years
• Other equipment	5 – 20 years

Disposals

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

Impairment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the period end. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts. The recoverable amount is the higher of the asset's fair value less costs to sell and its value for use in service. The Ministry has not tested its assets for impairment in the current year.

Work in Progress

Work in progress items are valued at cost. No depreciation is applied to work in progress items until such time as they are commissioned.

Ministry of Community Affairs, Gender & Housing
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 June 2011

(l) 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 of Community Affairs, Gender and Housing are paid to the Public Service Pension Fund and administered by the Public Service Pension Board (the "Board"). Contributions of 12% - employer 6% and employee 6% are made to the fund by the Ministry of Community Affairs, Gender and Housing.

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

(m) Financial Instruments

The Ministry of Community Affairs, Gender and Housing 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.

Classification

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

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

Recognition

The Ministry of Community Affairs, Gender and Housing 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.

Ministry of Community Affairs, Gender & Housing
STATEMENT OF ACCOUNTING POLICIES (CONTINUED)
FOR THE YEAR ENDED 30 June 2011

(n) Contingent Liabilities and Assets (including guarantees)

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

De-recognition

A financial asset is de-recognition when the Ministry of Community Affairs, Gender and Housing 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.

(o) Foreign Currency

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

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

Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate;

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

(p) Comparative Figures

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget. Comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

(q) Reporting Period

The annual reporting period is for the twelve months ended 30 June 2011.

Ministry of Community Affairs, Gender & Housing
Notes to the Financial Statements
FOR THE YEAR ENDED 30 June 2011

1: SALE OF GOODS AND SERVICES

	2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
Outputs to cabinet	13,304,555	14,017,670	(713,115)	14,995,213
Outputs to third parties	152,712	-	152,712	-
	<u>13,457,267</u>	<u>15,403,960</u>	<u>(560,403)</u>	<u>14,995,213</u>

Outputs to Cabinet comprise goods delivered to and services performed on behalf of the Cayman Islands Government. These are detailed in the ABS accompanying these statements and are covered by the appropriation law.

Fees & Charges, General Sales, Rentals & Others include administrative fees and user charges levied on the public for the delivery of government services. The respective rates and fee structures are gazetted and governed by the relevant revenue laws

Explanation of major variance

Revenue from cabinet was \$713,115 below budget due mainly to aimed budget reductions made during the fiscal year totalling \$859,715. This comprised mainly of reductions to personnel costs totalling \$722,653 and reductions to supplies and consumables totalling \$145,765.

2: PERSONNEL COSTS

	2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
Salaries, wages & allowances	7,962,909	8,904,648	(941,739)	8,466,228
Health care	1,365,499	1,777,918	(412,419)	1,575,198
Pension costs	939,965	1,042,506	(102,541)	953,203
Other personnel costs	<u>(69,920)</u>	<u>268,632</u>	<u>(338,552)</u>	<u>101,686</u>
	<u>10,198,453</u>	<u>11,993,704</u>	<u>(1,795,251)</u>	<u>11,096,316</u>

Pensions and other post-retirement benefits

The Ministry, as part of the Public Sector, participates in the Public Sector Pension Plan, a defined contribution pension fund, in accordance with the Cayman Islands National Pension Law. The Ministry makes monthly contributions of 12% of an employee's salary (being 6% for the employer and 6% for the employee) to the Public Service Pensions Board. Contributions are charged to expenses as they are incurred based on set contribution rates.

Employee Health Care Costs

The Ministry, as part of the Public Sector, participates in the Employee Medical Insurance Plan with the Cayman Islands National Insurance Company, CINICO. Under the scheme, the Ministry contributes the medical insurance for each employee and also for the employees' dependants should the employee elect to enrol their dependants in the government plan. Under the Plan, the Ministry contributes CI\$358 for each single employee, CI\$714 for a non-child family, CI\$1,071 for a family with children and CI\$714 for employee plus dependant.

Ministry of Community Affairs, Gender & Housing
YEAR ENDED JUNE 30, 2010
NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Explanation of major variance

Personnel costs were \$1,795,251 below budget due mainly from a delay in recruiting vacant posts and non-recruitment of some posts that were in original budget. The budgeted head count for the 2010/11 fiscal year was approximately 233 persons, inclusive of full-time and part-time posts. However, the average actual number of persons employed during the fiscal year averaged 211 persons.

3: OPERATING EXPENSES

	2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
Supplies and materials	548,117	700,131	(152,014)	297,592
Purchase of services	874,667	688,089	186,578	735,540
Lease of Property and Equipment	615,647	628,440	(12,793)	691,781
Utilities	593,213	673,456	(80,243)	547,373
General Insurance	167,546	233,499	(65,953)	229,248
Travel and Subsistence	34,991	35,192	(201)	26,330
	<u>2,834,181</u>	<u>2,958,807</u>	<u>(124,626)</u>	<u>2,527,864</u>

Explanation of major variance

Operating expenses were \$124,626 below budget. Purchase of services were \$186,578 above budget due mainly to increased demands placed on the Department of Children and Family Services for programme support services. The budgeted costs for programme support services for the 2010/11 fiscal year was \$687,224. However, the actual programme support services costs were \$865,308.

4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand; bank accounts in the name of the Ministry of Community Affairs, Gender & Housing maintained at Royal Bank of Canada; and short term deposits invested with the Cayman Islands Government Treasury. As at 30 June 2010 and 30 June 2011 the Ministry Community Affairs, Gender & Housing unrestricted cash balances were as presented below. No restricted cash balances were held by the Ministry of Community Affairs, Gender and Housing at 30 June 2011.

	2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
Cash on hand	-	-	-	-
Bank accounts	<u>1,486,953</u>	<u>510,989</u>	<u>975,964</u>	<u>1,309,999</u>
	<u>1,486,953</u>	<u>510,989</u>	<u>975,964</u>	<u>1,309,999</u>

Cash and Cash Equivalents mainly relate to an operating and payroll account held in at the Royal Bank of Canada in the Cayman Islands.

Explanation of major variance

The actual year-end cash balances were \$975,964 above budget due mainly to a brought forward cash balance of \$1,309,999 from the prior 2009/10 fiscal year that was not budgeted. The ministry also reported a net surplus from operations that was not projected in the original budget. Some cash was used to settle accounts payables and other liabilities.

Ministry of Community Affairs, Gender & Housing
YEAR ENDED JUNE 30, 2010
NOTES TO THE FINANCIAL STATEMENTS (CONT.)

5: ACCOUNTS RECEIVABLE

	2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
Outputs to Cabinet	850,560	1,168,139	(317,579)	831,470
Dishonoured cheques	-	-	-	10,491
Other	45	3,000	(2,955)	6,134
Gross Accounts Receivable	850,605	1,171,139	(320,534)	848,097
Less provision for doubtful debts	0	0	0	0
	850,605	1,171,139	(320,534)	848,097

Explanation of major variance

The actual year-end debtors and other receivables balances were lower than the original budget due mainly to cabinet funding receivable being lower than initially projected. The actual cabinet funding receivable was \$850,560 compared to budgeted \$1,168,139, which represented one month's cabinet revenue earned but not received by June 30th 2010.

6: INVENTORIES

	2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
Consumable Stores	18,275	0	18,275	22,184
	18,275	0	18,275	22,184

Inventory consists of consumables mainly used for the provision of services. No inventory is held for re-sale.

7: Non-Exchange Transactions

	2010/11 Actual	2010/11 Budget	Variance
Vehicle and Transport Services (DVES)	6,357	0	6,357
Maintenance of facilities (PWD)	246,496	88,000	158,496
Processing of payroll (POCS)	40,584	36,421	4,163
Server and network support (CSD)	353,352	405,410	(52,058)
	646,789	529,831	116,958

During the year ended 30 June 2011, the Ministry received various non-exchange transactions (services in-kind) from the Department of Vehicle and Equipment Services (DVES), Public Works Department (PWD), Computer Services Department (CSD). The fair value of these services could not be reliably determined but is estimated to be \$646,789 and therefore no expense has been recognized in these financial statements for such services other than the disclosure above.

Ministry of Community Affairs, Gender & Housing
YEAR ENDED JUNE 30, 2010
NOTES TO THE FINANCIAL STATEMENTS (CONT.)

8. PROPERTY AND EQUIPMENT

	Plant and equipment	Buildings	Furniture	Computers	Other assets	Motor Vehicles	Assets under construction	Total
Balance as at 1 July 2010	50,939	3,695,227	210,537	160,528	94,450	154,125	2,320,600	6,686,406
Additions	48,750	2,205,841	8,871	19,979	7,579		71,492	2,362,512
Disposals		(251,075)	(23,336)	(69,168)	(30,445)			(374,024)
Transfers							(2,309,205)	(2,309,205)
Balance as at 30 June 2011	99,689	5,649,993	196,072	111,339	71,584	154,125	82,887	6,365,689

Balance as at 1 July 2010	24,289	2,147,959	92,540	150,265	71,974	117,767	-	2,604,794
Depreciation Expense 2010/11	12,534	125,895	19,987	12,486	15,572	6,101	-	192,575
Eliminate on Disposal 2010/11	-	(184,645)	(10,365)	(69,102)	(26,822)	-	-	(290,934)
	36,823	2,089,209	102,162	93,649	60,724	123,870	-	2,506,437

Balance as at 30 June 2011	62,866	3,560,784	93,910	17,690	10,860	30,255	82,887	3,859,252
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Net Book value 30 June 2010	26,650	1,547,268	117,997	10,263	22,476	36,356	2,320,600	4,081,612
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Ministry of Community Affairs, Gender & Housing
YEAR ENDED JUNE 30, 2010
NOTES TO THE FINANCIAL STATEMENTS (CONT.)

9: ACCOUNTS PAYABLE

	2010/11 Actual	2010/11 Budget	Variance	2009/10 Actual
Trade Creditors	132,608	1,261,776	(1,129,168)	771,585
Other	344,949	366,482	(21,533)	(23,851)
Surplus payable**	1,278,934	-	1,278,934	1,256,509
Total	1,756,491	1,628,258	128,413	2,004,243

****Surplus payable**

The Ministry is budgeted to break even and therefore did not budget for any surplus. Therefore any surplus earned is payable to the Cayman Islands Government.

Explanation of major variance

Accounts payable was lower than budgeted due mainly to a payment of accounts payable from higher than projected cash balances available. A surplus was realized during the fiscal year totalling \$148,968 that was not budgeted and is to be repaid to core government.

10: Commitments and contingent liabilities

(I) Contingent Liabilities

During the course of the year, in the ordinary course of its business, the Ministry became involved in a dispute in a case relating to a breach of contract over security services. Management does not think there will be any significant judgments against the ministry and has thus not made any provision for any such damages should they arise.

(II) Commitments

Type	One year or less	One to five Years	Over five Years
Operating Commitments			
Non-cancellable accommodation leases	272,655	205,280	-
Total Operating Commitments	272,655	205,280	-
Total Commitments			-

There ministry had two lease agreements with contractual obligations falling due in the short term (within 12 months) totalling \$272,655 for lease sites at the Flagship Building (\$205,280) and Britcay House (\$67,375). There were also medium term commitments (between 1 -5 years) totalling \$205,280 for lease of sites at the Flagship Building. The amounts disclosed above as future commitments are based on the current rental rates. There were no capital commitments during the year, except for the work in progress amounting to CI\$ 82,887 (see note 7)

Ministry of Community Affairs, Gender & Housing
YEAR ENDED JUNE 30, 2010
Notes to the Financial Statements

11. Related Party Disclosures

The Ministry of Community Affairs and Housing is a wholly owned entity of the government from which it derives a major source of its revenue. The Ministry of Community Affairs and Housing and its key management personnel transact with other government entities on a regular basis. These transactions were provided free of cost during the financial year ended 30 June 2011 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

Description	Current year actual	Number of persons
Salaries & other benefits	365,878	3
Other long term benefits	-	-
Total	365,878	3

Key Management Personnel

Key management personnel are defined to include Ministers of the Government, Chief Officer, Deputy Chief Officer and the Chief Finance Officer. No loans were offered to key management or their relatives during the year. The Minister of Community Affairs, Gender and Housing personnel allowances were paid through the Deputy Governor's Office. All other key management personnel were paid for directly by the ministry.

Inter-agency Charges

Commencing from 2009/10 financial year, inter-agency charges for goods and services (human resource services, financial support services, legal services, computer hardware and systems support services, and software licensing fees) provided amongst the various core government entities was discontinued by the Entire Public Sector and have thus not been accounted for in these Financial Statements.

12. FINANCIAL RISK MANAGEMENT

The Ministry is exposed to a variety of financial risks including credit risk and liquidity risk. The Ministry's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2008 Revision).

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Ministry. Financial assets which potentially expose the Ministry to credit risk comprise cash and cash equivalents and accounts receivable.

FINANCIAL RISK MANAGEMENT (Cont'd)

The Ministry is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers being financially secure and well managed.

The Ministry is also exposed to a significant concentration of credit risk in relation to accounts receivables, most of which are due from Cabinet. No credit limits have been established. As at 30 June 2011 no provision for doubtful debts has been made as none of these assets are anticipated to be impaired and management considers these debts to be recoverable in full.

Notwithstanding the concentration risk in relation to accounts receivables, management does not consider the Ministry to be exposed to significant credit risk as it has only one major counterparty (Cabinet) and has had no past experience of any significant default or loss.

Credit Risk

The carrying amount of financial assets recorded in the financial statements represents the Ministry's maximum exposure to credit risk. No collateral is required from debtors.

Liquidity Risk

Liquidity risk is the risk that the Ministry is unable to meet its payment obligations associated with its financial liabilities when they are due. The ability of the Ministry to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Ministry in a timely basis. Management manages liquidity risk through monitoring cash flows from debtors, maximizing day's credit taken from suppliers, and if the circumstances required it to obtain funding from Cabinet to temporarily fund any shortfalls. As at 30 June 2011, all of the financial liabilities were due within three months of the year end dates.

13: FINANCIAL INSTRUMENTS – FAIR VALUES

As at 30 June 2011, the forecasted carrying value of cash and cash equivalents, accounts receivable, work in progress, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities. Fair values estimates are made at a specific point in time, based on market conditions and the information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision.

Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

Ministry of Community Affairs, Gender & Housing
YEAR ENDED JUNE 30, 2010
Notes to the Financial Statements

14: Segment Reporting

	Ministry Administration	Department of Children & Family Services	Department of Counseling Services	Total
Revenue				
Sale of goods and services	1,826,608	8,698,510	2,779,437	13,304,555
Other revenue	(173,270)	131,687	111,205	69,622
Total Revenue	1,653,338	8,830,197	2,890,642	13,374,177
Expenses				
Personnel costs	1,348,624	6,699,849	2,149,586	10,198,059
Supplies and consumables	261,225	1,969,235	604,116	2,834,576
Depreciation	5,488	122,336	64,751	192,575
Total Expenses	1,615,337	8,791,420	2,818,453	13,225,210
Surplus	38,001	38,777	72,189	148,967
Current Assets	1,639,648	604,766	271,731	2,516,145
Property & equipment	19,063	2,633,126	1,207,062	3,859,251
Total Assets	1,658,711	3,237,892	1,478,793	6,375,396
Current liabilities	177,216	238,250	128,919	544,385
Surplus payable	1,346,242	0	0	1,346,242
Long term liabilities	0	0	0	0
Total liabilities	1,523,458	238,250	128,919	1,890,627
Net Worth	135,253	2,999,642	1,349,874	4,484,769

15: Subsequent Events

There were no significant subsequent events affecting the Ministry of Community Affairs, Gender and Housing.