



MINISTRY OF
FINANCE & ECONOMIC
DEVELOPMENT
CAYMAN ISLANDS GOVERNMENT

Entire Public Sector (EPS) Accounts Annual Report

For the Financial Year ended
31 December 2020



INTRODUCTION

These financial statements contain the results and position for the period ended 31 December 2020. Accordingly, the comparative figures in the financial statements are for the period ended 31 December 2019.

Also, included in the information presented are:

- The original budget for the year as published in the 2020 Annual Plan & Estimates,
- The audited actuals for the prior year, 2019.

This commentary should be read in conjunction with the financial statements and disclosure notes. Amounts herein are stated in Cayman Islands Dollars.

GOVERNMENT STRUCTURE

The Cayman Islands is an Overseas Territory of the United Kingdom, a foreign sovereign territory. His Majesty the King of England (“His Majesty”), as the British king regnant, is the head of state of the Cayman Islands. His Majesty appoints a representative (the “Governor”) to administer the Government of the Cayman Islands on his behalf. As the Cayman Islands is not part of the United Kingdom, the Cayman Islands has its own Constitution and is governed by a local parliamentary democracy comprised of executive, legislative and judicial branches. The Governor administers the Cayman Islands on behalf of His Majesty and is constitutionally bound to promote the good governance and act in the best interest of the Cayman Islands, so long as it is consistent with the United Kingdom’s interests. The United Kingdom provides defence of the Cayman Islands, and the Royal Cayman Islands Police Service provides police services in the Cayman Islands.

While all of the Cayman Islands’ financing decisions are made by the Parliament and Cabinet, and the United Kingdom does not provide direct financial support to the Cayman Islands, the United Kingdom closely monitors borrowings incurred by the Cayman Islands.

The Cabinet is responsible for creating Government policy and currently consists of twelve Cabinet members, headed by the Governor. The twelve members consist of the Governor, the Premier, seven ministers (the “Ministers”) who are appointed by and from within the elected members of the Parliament, two members (the “Members”) consisting of the Deputy Governor and the Attorney General and, the Cabinet Secretary.

The Governments’ organisational structure is broken into Core Government and Statutory Authorities and Government Companies (SAGC), and is collectively referred to as the Entire Public Sector (EPS). Core Government is made up of the Parliament, the Governor in Cabinet, Ministries, Portfolios, and Offices (M/P/O’s) and includes the equity investment in Statutory Authorities and Government Companies.

Various statutory boards and authorities have been established for specific purposes, including, but not limited to, Cayman Airways Limited, the Cayman Islands Airport Authority, Cayman Islands Development Bank, Cayman Islands National Insurance Company, Cayman Islands Health Services Authority, The Water Authority of the Cayman Islands, Cayman Turtle Conservation and Education Centre Limited, The Cayman Islands Stock Exchange, Utility Regulation and Competition Office, and The Port Authority of the Cayman Islands.

KEY FINANCIAL HIGHLIGHTS

The financial results for the Entire Public Sector (EPS) for the year ending 31 December 2020 show a deficit of \$123.9 million. For the prior 12-month period ending 31 December 2019, the EPS achieved a Surplus of \$117.7 million.

Actual EPS Deficit results were \$172.0 million less than the EPS original budget surplus of \$48.1 million; and 241.6 million less than the EPS Surplus for 2019. The significant underperformance for 2020 is primarily due to the impact of the novel coronavirus (COVID-19) pandemic on the economy and the costs incurred for measures taken by the Government to mitigate against the impact.

The Government's financial position, however, remains strong as:

Net Assets (total Assets less all recognised Liabilities) were \$1.4 billion as at 31 December 2020. Cash and Cash Equivalents (including fixed deposits with maturity durations not exceeding 90 days) were \$441.2 million. EPS debt declined by 14% to stand at \$285.0 million as at 31 December 2020.

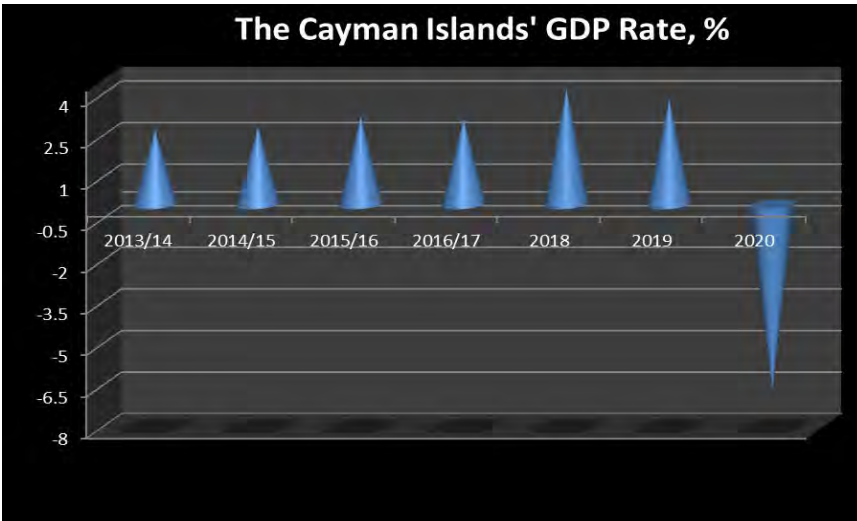
The Government did not achieve full compliance with the Framework for Fiscal Responsibility (FFR) as required by the Foreign and Commonwealth Development Office and the Public Management and Finance Act (PMFA) (2020 Revision), for prudent fiscal management. The principle on Core Government Operating Surplus which requires that Core Government Operating Surplus should be positive was not complied with as the Core Government achieved as Operating Deficit of \$58.1 million. This was due to the significant increase in expenditure for costs related to COVID-19 Pandemic.

ECONOMIC OVERVIEW BASED ON ANNUAL ECONOMIC REPORT 2020

- The world economy contracted in 2020 due to subdued economic activities especially travel restrictions to cope with the pandemic. Inflation moderated as demand slowed and commodity prices fell.
- The Cayman Islands' real gross domestic product (GDP) contracted by an estimated rate of 6.7 percent in 2020, relative to the growth of 3.8 percent in 2019. Contractions were reflected in most sectors, led by restaurants and accommodations, transport and the "other" sector.
- Nominal GDP per capita income was estimated at \$68,674, lower than the \$72,658 recorded for 2019.
- The average inflation rate in 2020 was 1.0 percent, compared to 6.0 percent a year ago. Inflationary pressures emanated mainly from rising food prices.
- Total employment fell by 12.1 percent to 41,644 in 2020. The decline in employment outweighed a reduction in the labour force, which resulted in the unemployment rate rising to 5.2 percent. The unemployment rate among Caymanians was estimated at 8.3 percent.
- In 2020, merchandise imports fell by 6.3 percent to reach \$1,114.4 million, reflecting declines of 37.0 percent and 2.2 percent in oil-related and non-oil imports, respectively.
- Money supply (M2) expanded by 8.2 percent to reach \$8.2 billion in 2020. This monetary expansion was due to 18.7 percent and 4.6 percent increases in local currency deposits and foreign currency-denominated deposits, respectively.
- Domestic credit from commercial banks expanded by 4.0 percent to settle at \$3,432.9 million. Credit to the private sector rose by 5.6 percent, while loans to the public sector declined by 14.0 percent.
- Indicators of financial services generally improved in 2020. Insurance licenses, mutual funds registration, stock exchange listings and new partnership registration increased while bank and trust licenses, and new company registrations fell.

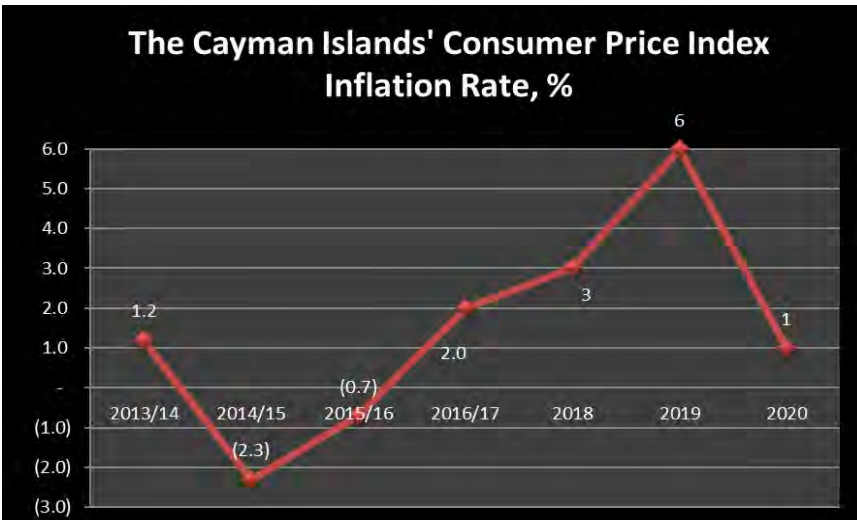
- Total stay-over visitors contracted by 71.7 percent. Total stay-over arrivals declined by 75.8 percent, while cruise arrivals fell by 70.6 percent.
- Indicators of construction were mixed in 2020. The value of building permits in Grand Cayman rose by 88.1 percent to \$555.6 million, mainly due to some commercial projects. In contrast, the value of planning approvals in Grand Cayman decreased by 0.8 percent to \$883.2 million.
- Real estate activity declined during the year as the total value of property transfers fell by 6.4 percent to \$807.1 million, as both freehold and leasehold transfers decreased.
- The central government recorded an overall deficit in 2020 of \$116.4 million relative to a surplus of \$101.9 million in 2019. The government's total outstanding debt declined to \$248.6 million (5.3 percent of GDP) at the end of 2020.
- GDP is projected to rebound in 2021 by 1.2 percent, primarily due to the expected growth in construction. The inflation rate is expected at 2.1 percent arising principally from external pressures. The overall unemployment rate is projected at 5.0 percent.

Source: Economics and Statistics Office



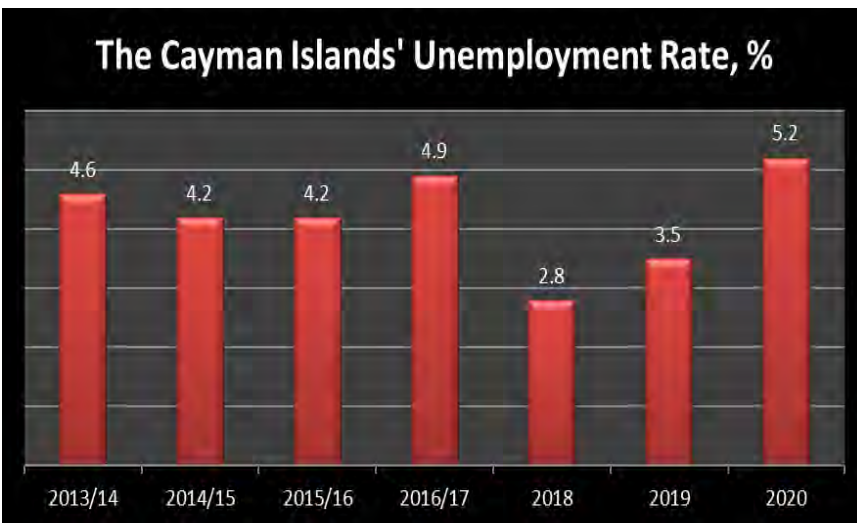
The world economy contracted by 3.3% in 2020 compared with a growth of 2.8% in 2019. Advanced economies declined by 5.0% for the year compared with a growth of 1.5% in 2019. Similarly, emerging markets and developing economies contracted by 2.2% compared with an increase of 3.6% in the preceding year.

The Caribbean recorded an economic contraction of 4.3% in 2020 compared with a growth of 3.3% in 2019



Global inflation moderated to 3.2% in 2020 from 3.5% in 2019. Inflation in the US and UK fell to 1.2% and 0.9% from 1.8% for both in 2019. Inflation remained unchanged at 5.1% in emerging markets and developing economies.

The Caribbean recorded inflation of 7.7% in 2020 relative to 2.8% in 2019



Globally higher unemployment associated with the reduced economic activity due to COVID-19

Source: Economics and Statistics Office

COVID-19 IMPACT

On March 11, 2020, the World Health Organization categorized the COVID-19 outbreak as a pandemic. Governments around the world implemented measures to mitigate the spread and intensity of the outbreak, including mandatory quarantines, travel restrictions, social distancing and shortening or suspension of economic and other forms of activity.

The COVID-19 pandemic has had an adverse impact on the Cayman Islands economy, in particular the tourism industry. The Government, much like the rest of the world, adopted measures to mitigate the impact of the pandemic. These measures required the Government to enter a period of lockdown and close the jurisdiction's borders from early March 2020, thereby reducing activity in the local economic market and revenues derived from the tourism sector. The Government has incurred approximately \$95.0 million in expenses related to Covid-19 mitigation. These costs include supplies purchased to combat COVID-19 and other social benefits paid out to people directly affected by effects of the mitigation measures implemented including subsidies paid to displaced tourism workers, and support to business.

During 2020 \$7.1 million was taken from the National Disaster Reserve Fund to provide funding for expenses related to COVID-19 mitigation. Additionally, donations of \$1.8 million (US\$2.2 million) were received from a private donor towards the costs related to COVID-19 mitigations.

Line of Credit (LOC) and Long-Term Loan Facility

In June 2020, the Government also secured a stand-by Line of Credit (LoC) with a consortium of local banks for CI\$330.0 million (US\$403.0 million) - in order to provide additional financial resources in the event that such resources are needed and, to mitigate the effects of Government's loss of revenue and increased expenditure related to COVID-19.

Government Guaranteed Loan Programme (GLP) for medium (MSBs) and Large Size Businesses (LSBs)

Due to the COVID-19 mitigation efforts mandated by the Government in March 2020 which resulted in an immediate and severe reduction in economic activity within the Cayman Islands, on 7 December 2020 the Government entered into an agreement with five (5) participating local banks to guarantee a loan program to offer and provide new credit facilities (NCFs) to qualifying MSBs and LSBs that are under financial duress for the purpose of providing critical working capital, critical capital expenditures and loan restructuring necessary for the economic viability of the eligible borrowers. The amounts guaranteed by the Government equal 50% of the aggregate of the outstanding principal, unpaid interest and other NCF costs of the eligible borrowers, provided that at no time shall the guaranteed amount exceed \$375,000 for a MSB and \$1,500,000 for a LSB. At the date of the issuance of these financial statements six (6) borrowers have been approved for NCF's under the GLP amounting to \$4.2 million.

National Pension Law 2020

The Government has also passed legislation amending the National Pension Law 2020 to permit a private pension "holiday" (or payment freeze). Also, the amendment permitted persons who participates in a private pension accounts to withdraw up to 100% of the commuted value of their pensions which were capped at CI\$10,000; and further 25% for commuted pension value over \$10,000.

FINANCIAL OVERVIEW AND ANALYSIS

Government Revenue and Expenditure

Revenue

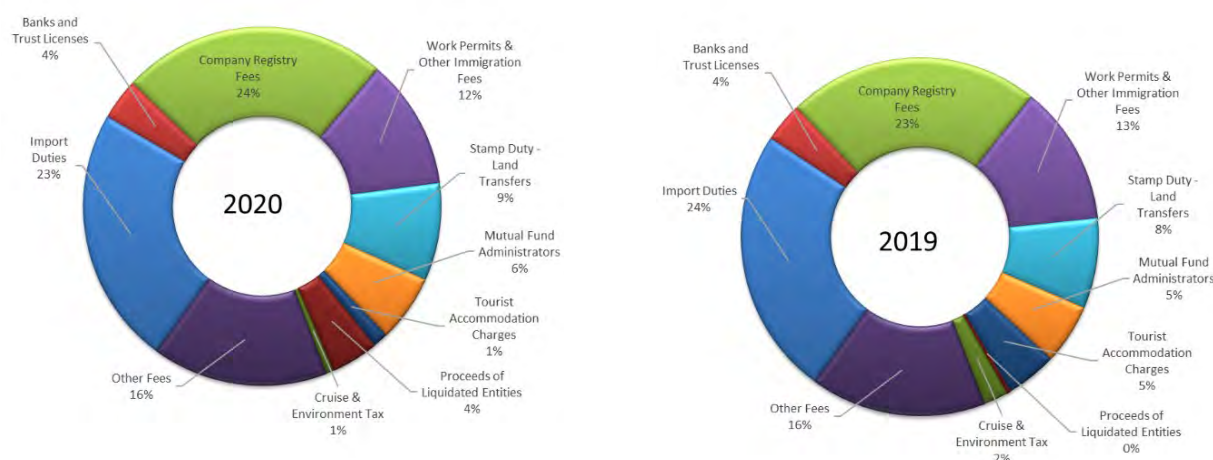
DESCRIPTION	EPS Actual C\$000	
	2020	2019
Coercive Revenue	741,906	795,070
Sales of Goods & Services	218,884	311,499
Investment Revenue	14,087	26,306
Donations	4,008	1,742
Other Revenue	4,827	1,187
Total Revenue	983,712	1,135,804

The Total Revenue for the 2020 is \$983.7 billion, which when compared to 2019 indicates that the year ended 31 December 2020 produced \$152.1 million (13%) decline in revenues. The Total Revenue earned were also \$127.9 million less than the 2020 Original Budget. The decline in revenue is primarily as a result of the impact of the COVID-19 mitigation measures on the economy

What is the Government's primary source of revenue?

The primary source of revenue is coercive revenue, which was 75% of total public sector revenue in 2020 (2019: 70%), while sale of goods and services represented 22%. Coercive revenues are those revenues collected by Government under its coercive powers authorised under various acts passed by the Parliament (e.g. import duties, work permit fees, bank license fees, etc.) and for which there is no direct exchange of any goods or services. The primary types of coercive revenue are Company Registry Fees and Import Duties, which represents 24% and 23% of total coercive revenue in financial year 2020 (2019: 23% and 24%), respectively. See table on page 10 showing details of total coercive revenue.

Total Coercive Revenue



The preceding chart also shows that fees collected from the financial services industry (Bank and Trust Licenses, Company Registry fees, and Mutual Fund Administrator Fees) is a significant portion of Government revenue; these fees represented 34% of total coercive revenue and 25% of total public sector revenue as at 31 December 2020 (2019: 32% and 22%).

See seven-year trend table on coercive revenue below:

DESCRIPTION	EPS Actual C\$000						
	2013/14	2014/15	2015/16	2016/17	2018	2019	2020
Import Duties	161,670	156,393	159,834	243,239	181,132	193,076	173,361
Banks and Trust Licenses	34,225	32,795	31,592	30,074	29,382	28,184	27,479
Company Registry Fees	134,355	140,739	146,863	182,135	165,973	182,110	178,735
Work Permits & Other Immigration Fees	71,278	79,914	79,364	135,145	88,244	100,402	87,209
Mutual Fund Administrators	45,140	43,139	44,544	49,213	44,044	43,137	44,601
Stamp Duty - Land Transfers	30,502	38,967	52,987	76,340	80,655	64,544	65,591
Cruise & Environment Tax	13,695	15,409	16,494	23,061	17,961	17,810	5,363
Tourist Accommodation Charges	18,725	20,643	21,134	33,559	32,671	36,535	10,282
Proceeds of Liquidated Entities	-	-	16,652	3,550	19,054	3,299	31,963
Other Fees	102,027	95,505	103,797	176,518	121,945	125,973	117,322
Total Coercive Revenue	611,617	623,503	673,261	952,834	781,061	795,070	741,906

The 2016/17 reporting period covers an 18-month period and is not comparable to other periods which reflect the results of a 12-month reporting period

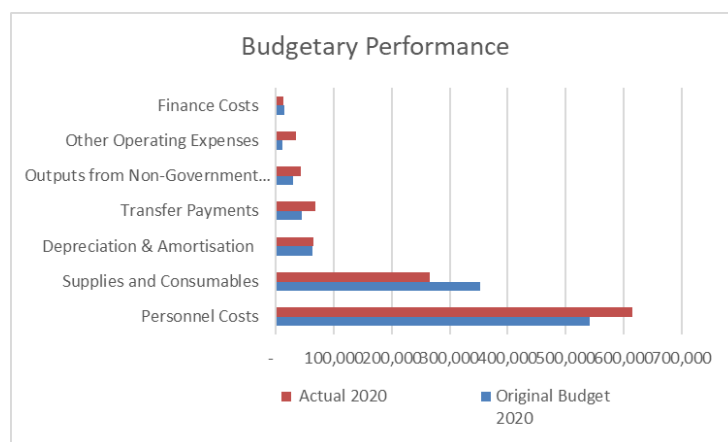
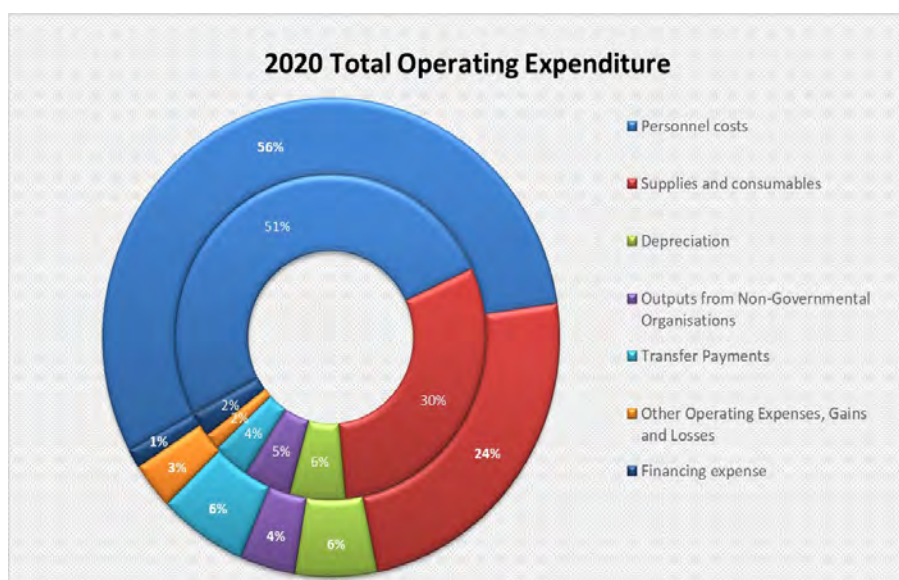
See Note 21 of the EPS Accounts.

EXPENDITURE

What does Government Spend on Providing Services and Operating costs?

DESCRIPTION	EPS Actual C\$000	
	2020	2019
Personnel costs	614,823	517,833
Supplies and consumables	265,653	309,341
Depreciation	64,769	59,368
Outputs from Non-Governmental Organisations	43,360	50,028
Transfer Payments	69,706	39,458
Other Operating Expenses, Gains and Losses	35,030	17,125
Financing expense	14,297	24,947
Total Expenses	1,107,638	1,018,100

The most significant elements of expenditure were the cost of employing staff and the purchase of supplies and consumables for normal day-to-day operations. Personnel costs represented approximately 56% of total expenditure as at 31 December 2020 (2019: 51%), which is typical for service-based organisations and consistent with prior years.



Total Operating Expenses of the EPS were \$1.11 billion; this amount was \$46.3 million (4%) more than the original budget of \$1.06 billion. Mainly related to Personnel Costs, Transfer Payments and Other Executive expenses surpassing original allocations, due to increased costs related to COVID-19. This was offset by underspends in Purchases of Supplies and Consumables, which was a result of reduced Government activities and delayed projects.

Personnel Costs

Salaries and wages for 2020 are up 9% when compared to the prior year. At the beginning of January 2020, Cabinet approved a 5% Cost of Living Adjustment, for Core Government. 2020 reflects 12 months of the adjusted salaries when compared to 2019.

Description	EPS Actual C\$000	
	2020	2019
Salaries, Wages and Allowances	440,588	404,395
Health Care	33,472	8,314
Pension	24,038	16,574
Leave	1,257	775
Defined Benefit Pension Liability	34,267	15,486
Post Retirement Health Care Liability	75,418	64,769
Other Personnel Costs	5,783	7,520
Total Personnel Costs	614,823	517,833

See Note 25 of the EPS Accounts.

Supplies and Consumables

Supplies and consumables for the 2020 period is \$265.7 million. For 2020 there was a 14% decrease in cost for supplies and consumables. See detailed table below.

Description	EPS Actual C\$000	
	2020	2019
Supplies and Materials	74,118	71,520
Purchase of services	94,575	128,386
Utilities	21,330	26,012
General Insurance	8,931	6,735
Travel and Subsistence	1,995	5,173
Recruitment & Training	2,058	3,969
Leases	13,615	12,567
Other	49,031	54,979
Total Supplies & Consumables	265,653	309,341

See Note 26 of the EPS Accounts.

Financing Expenses

What does Government Pay to Finance its Liabilities?

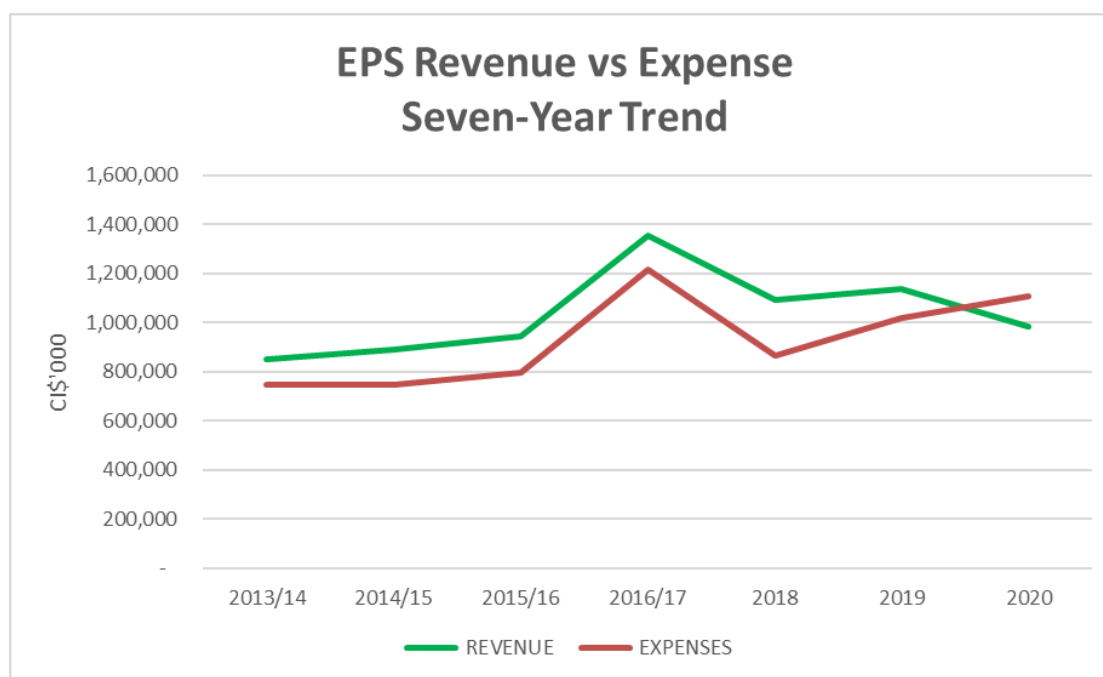
The most significant element of financing costs for the year ended 31 December 2020 was debt financing expense of \$11.7 million (2019: \$23.9 million). This consists of interest paid on bank borrowings and to bond holders.

Net Revenue or Surplus (Revenue less Expenses)

The deficit for the year ended 31 December 2020 was \$123.9 million (2019: Surplus of \$117.7 million). See table and chart of revenue and expenditure summary for seven years below:

DESCRIPTION	EPS Actual Ct\$'000						
	2013/14	2014/15	2015/16	2016/17	2018	2019	2020
Coercive Revenue	611,617	623,503	673,261	952,834	781,061	795,070	741,906
Sales of Goods & Services	234,165	261,478	261,344	384,809	290,918	311,499	218,884
Investment Revenue	2,336	4,700	5,669	15,631	17,230	26,306	14,087
Donations	1,203	1,081	931	2,405	2,517	1,742	4,008
Other Revenue	101	300	2,817	71	606	1,187	4,827
Total Revenue	849,422	891,062	944,022	1,355,750	1,092,332	1,135,804	983,712
Personnel costs	352,316	352,795	400,116	610,718	421,173	517,833	614,823
Supplies and consumables	236,842	231,567	223,896	346,418	265,702	309,341	265,653
Depreciation	43,734	50,846	53,851	88,098	56,022	59,368	64,769
Outputs from Non-Governmental Organisations	26,464	29,445	32,538	51,585	48,159	50,028	43,360
Transfer Payments	31,130	27,274	30,251	48,556	36,476	39,458	69,706
Other Operating Expenses, Gains and Losses	18,306	19,165	23,831	26,457	12,813	17,125	35,030
Financing expense	35,816	33,280	31,007	43,540	26,852	24,947	14,297
Total Expenses	744,608	744,372	795,490	1,215,372	867,197	1,018,100	1,107,638
Net Revenues/Surplus	104,814	146,690	148,532	140,378	225,135	117,704	(123,926)

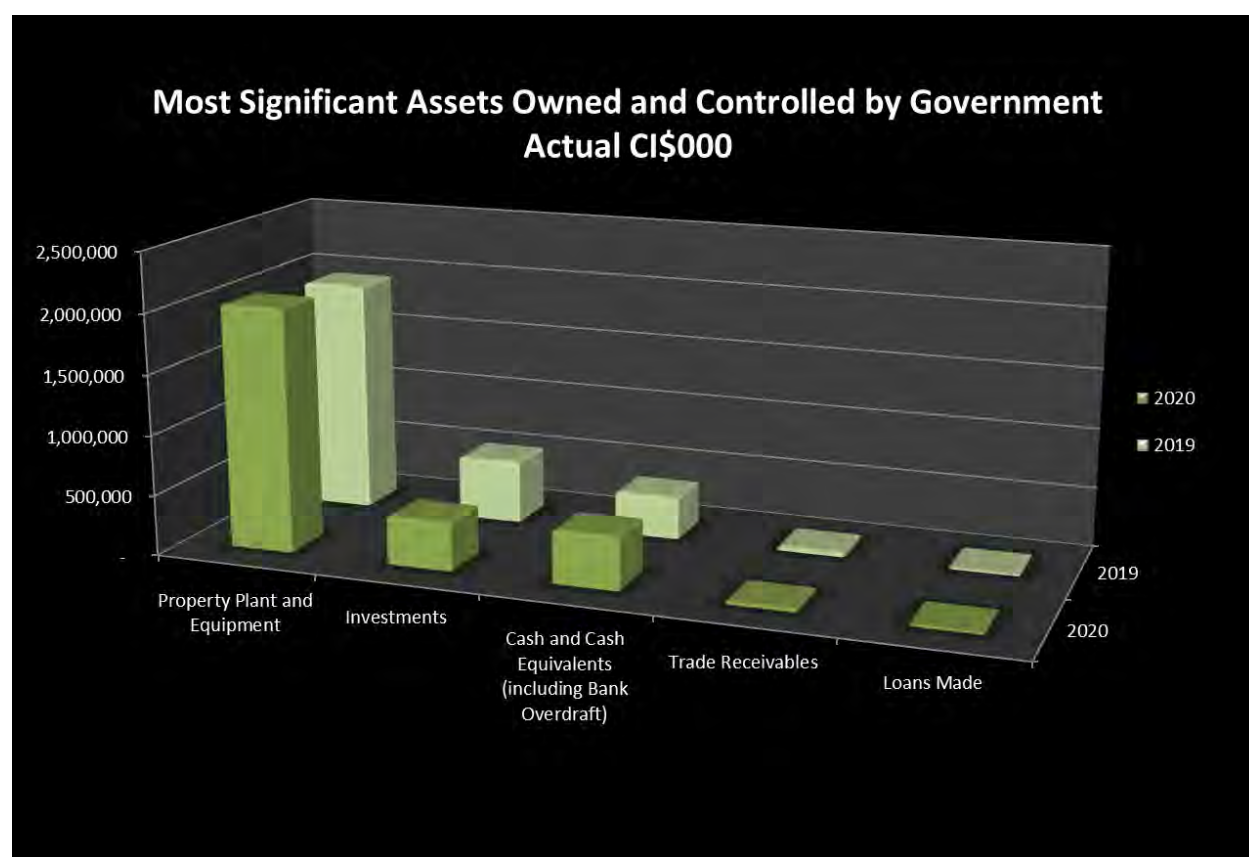
The 2016/17 reporting period covers an 18-month period and is not comparable to other periods which reflect the results of a 12-month reporting period



Government Assets and Liabilities

What are the Most Significant Assets Owned and Controlled by Government?

Assets	EPS Actual CI\$000	
	2020	2019
Property Plant and Equipment	2,028,000	1,942,426
Investments	402,101	523,383
Cash and Cash Equivalents (including Bank	441,216	356,476
Trade Receivables	28,291	38,314
Loans Made	19,518	19,342



Property, Plant and Equipment

The most significant assets owned and controlled by Government are property, plant and equipment (which include land and buildings, infrastructure, vehicles and equipment). See Note 10 of the EPS accounts.

Investments

Over 75% of investments consist of fixed deposits (over 90 days but less than 365 days). Core Government investments of \$301.2 million as at 31 December 2020 represents approximately 75% of total investments, with the SAGCs holding the remaining 25%. The majority of the \$100.9 million investments held by SAGCs form part of the Currency Reserve Assets of the Cayman Islands Monetary Authority. These assets are to be used to fund the Authority's currency redemption obligations. See Note 7 of the EPS accounts.

Cash and Cash Equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, cash in transit, deposits held on call with banks and other short term highly liquid investments. See Note 2 of the EPS accounts.

Trade Receivables

The majority of the trade receivables are held by SAGCs. SAGCs held 52% of trade receivables as at 31 December 2020. See Note 3 of the EPS accounts.

The table below shows gross trade receivables of 66.2 million (2019: \$63.5 million) as at 31 December 2020 less provision for doubtful debts \$37.9 million (2019: \$25.2 million) resulting in net trade receivables of \$28.3 million (2019: \$38.3 million).

Description	EPS Actual C\$000	
	2020	2019
Coercive revenue Receivable	15,036	11,405
non-Coercive Receivable	51,198	52,072
Total Trade Recievables	66,234	63,477
Provisions	(37,943)	(25,163)
Net Trade Receivables	28,291	38,314

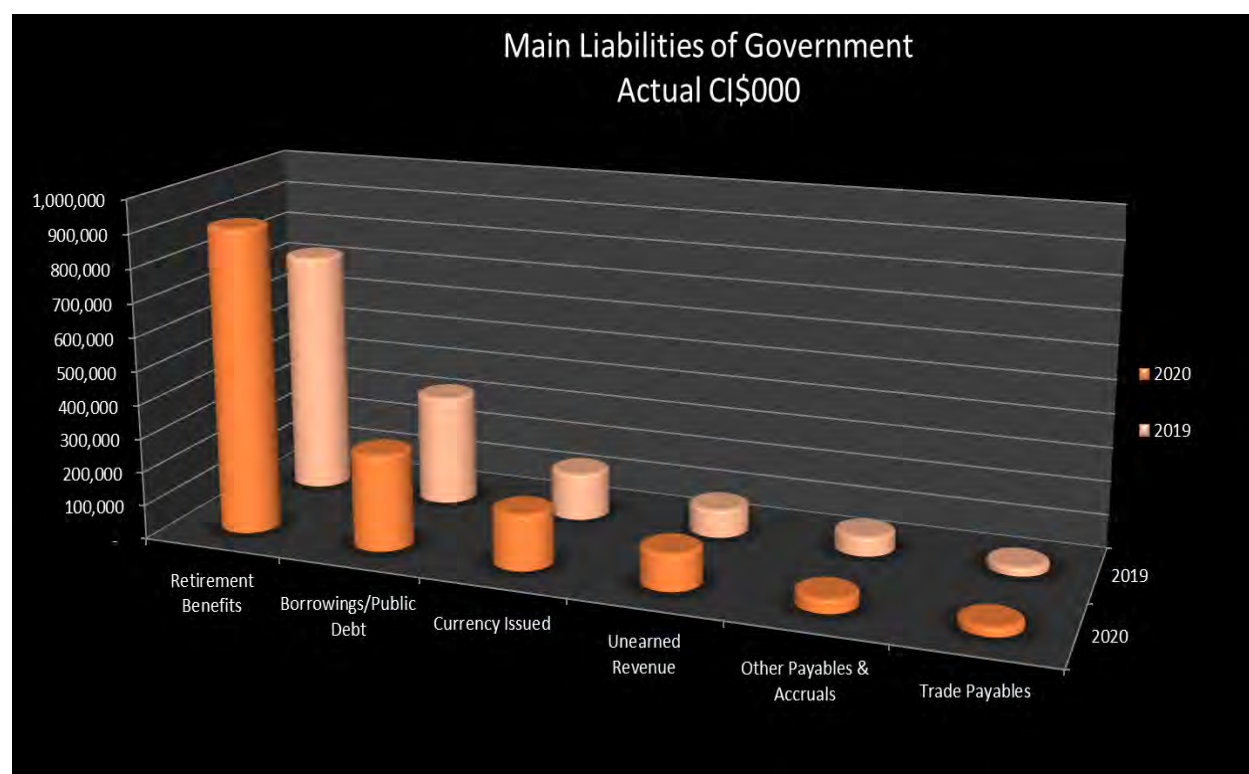
Loans Made

Loans Made consist mainly of commercial loans made by the Cayman Islands Development Bank and loans made to cover overseas medical care to persons not/insufficiently, covered by health insurance. See Note 6 of the EPS accounts.

What are the Main Liabilities of Government?

The table below shows the main liabilities of the Entire Public Sector:

Liabilities	EPS Actual C\$000	
	2020	2019
Retirement Benefits	906,840	729,719
Borrowings/Public Debt	284,960	330,138
Currency Issued	164,426	140,369
Unearned Revenue	108,907	83,682
Other Payables & Accruals	40,882	56,839
Trade Payables	25,473	24,646

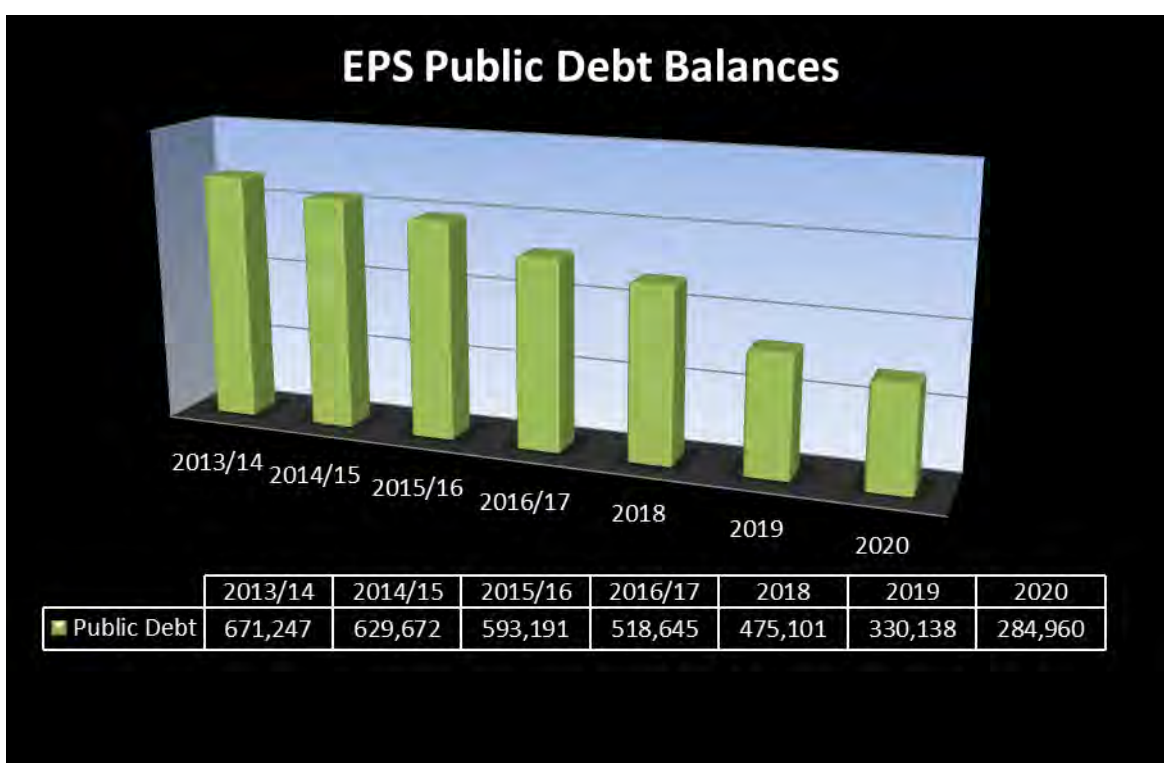


Public Sector Debt

To finance its activities and obligations, the Government borrows from the market to ensure sufficient funding is available to meet its daily cash requirements and financial commitments. Government borrowing comprises long-term borrowing in the form of commercial bank loans. During the financial year Cayman Airways Limited restructured its' existing debt which resulted in \$2.9 million in proceeds. See tables of public sector debt below.

Description	Opening Balance 1 January 2020	Drawdowns/ Additions	Repayments	Closing Balance 31 December 2020
	CI\$000	CI\$000	CI\$000	CI\$000
Core	284,381	-	35,826	248,555
Cayman Islands Development Bank	15,774	-	4,076	11,698
National Housing Development Trust	11,142	-	7,591	3,551
Cayman Airways Limited	18,841	2,857	542	21,156
Total	330,138	2,857	48,035	284,960

See Note 17 of the EPS Accounts.



Public debt continued to decline, from \$330.1 million to \$285.0 million (a 14% decline), as principal repayments of \$48.0 million were applied net of new borrowings of \$2.9 million.

Retirement Benefits

The Government, under the provisions of the Public Service Management Act, is obligated to provide post-retirement benefits to qualified employees in the form of health care and pension. The Government recognises and provides for actuarially determined present value of retirement obligation on an accrual basis, using the Projected Unit Credit method. See Note 16 of the EPS accounts.

The following tables present the pension liability at fair value as at 31 December 2020:

Description	2020	2019
	CI\$000	
Core Government	473,333	392,015
Parliamentarian Pensions	22,935	18,428
Judicial Pensions	(172)	(860)
Central Government Pension Liability Fair Value	496,096	409,583
Statutory Authorities and Government Companies	40,865	25,433
Entire Public Sector Pension Liability Fair Value	536,961	435,016

	Public Service Pensions Plan	Parliamentary Pensions Plan	Judiciary Pensions Plan	Total Central Government Pension Plans	Statutory Authorities Pension Plan	Entire Public Sector Pension Plans
	2020	2020	2020	2020	2020	2020
	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
Present value benefit obligation	976,910	35,213	6,681	1,018,804	89,801	1,108,605
Fair Value of plan assets	503,577	12,278	6,853	522,708	48,936	571,644
Deficit/Surplus for funded plans	473,333	22,935	(172)	496,096	40,865	536,961
Net liability/(asset)	473,333	22,935	(172)	496,096	40,865	536,961

The Government is also obligated to provide for the future healthcare costs of Civil Servants who earned that benefit based on their prior service with the Government.

Previously Civil Servants who worked for a minimum of 10 years with the Government would be entitled to a healthcare benefit upon retirement. However, the Public Service Management Act now requires that the employee puts in the same amount of years of qualifying service and also retire from the Civil Service in order to obtain such benefits in the future.

The results of healthcare liability actuarial valuation, completed in April 2021, estimated the post-retirement healthcare obligation as at 31 December 2020 to be \$2.4 billion (2019: \$2.3 billion). The post-retirement healthcare obligation and any related expenditure has not been recognised on the Statements of Financial Position and Performance for Central Government.

There are some SAGCs who have accrued a post-retirement healthcare liability as at 31 December 2020 of \$369.7 million (2019: \$294.7 million).

Net Assets and Liabilities

Net Assets fell from \$1.6 billion in 2019 to \$1.4 billion (see page 10 of the EPS accounts), a 12.5% decline. The seven-year trend in key assets and liabilities is presented in the table below. The 2016/17 period was an 18-month period commencing 1 July 2016 to 31 December 2017 and is not comparable to the 2015/16 or 2019 results as these periods represent results for 12 months:

DESCRIPTION	EPS Actual						
	CI\$000						
Assets	2013/14	2014/15	2015/16	2016/17	2018	2019	2020
Cash and Cash Equivalents (including							
Bank Overdraft)	281,182	406,435	231,415	220,281	377,156	356,476	441,216
Trade Receivables	36,421	31,707	32,165	31,044	54,008	38,314	28,291
Investments	99,582	102,077	438,511	554,591	500,056	523,383	402,101
Loans Made	32,774	30,470	30,285	26,243	33,907	19,342	19,518
Property Plant and Equipment	2,078,619	2,068,405	1,732,843	1,752,736	1,893,541	1,942,426	2,028,000
Liabilities							
Borrowings/Public Debt	671,247	629,672	593,191	518,645	475,101	330,138	284,960
Retirement Benefits	225,519	227,048	481,283	709,833	678,491	729,719	906,840
Currency Issued	91,720	94,887	106,876	119,544	126,609	140,369	164,426
Unearned Revenue	37,313	40,238	65,282	86,929	100,412	83,682	108,907
Other Payables & Accruals	63,942	49,717	62,830	121,635	58,341	56,839	40,882
Trade Payables	27,369	30,163	20,213	27,779	29,447	24,646	25,473

Guarantees

Guarantees of the Government include: Guarantees of the borrowings of Statutory Authorities and Government Companies, and guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector. See table of guarantees below:

Description	Weighting Applied	Guaranteed Balance as at	Loan Balance as at 31
		31 December 2020	December 2020
		CI\$000	CI\$000
Cayman Airways Limited	80%	16,925	21,156
Cayman Islands Development Bank	50%	5,849	11,698
National Housing Development Trust	80%	2,841	3,551
		25,615	36,405

The weighting in the table above is applied under the PMFA based on entities that:

- Require an unpredictable level of budgetary support from the Governor in Cabinet are given an 80% weighting;
- Are financially stable and require predictable levels of support are given a 50% weighting; and
- Have not required budgetary support during the last three (3) years are given 20% weighting.

Commitments

Commitments are future expenses, liabilities and capital outlay to be incurred on contracts that have been entered into as at 31 December 2020. See tables of commitments below.

Entire Public Sector (includes Core Government)

Type	One Year or Less CI\$000	One to Five Years CI\$000	Over Five Years CI\$000	31 December 2020 CI\$000	31 December 2019 CI\$000
Capital Commitments					
John Gray High School	44,833	18,042	-	62,875	-
Airport runway development	-	-	-	-	40,406
Landfill	22,400	4,471	-	26,871	22,400
Long term residential mental health facility	9,465	6,825	-	16,290	10,165
Other property, plant and equipment	12,933	5,000	-	17,933	18,006
Total Capital Commitments	88,467	34,338	-	122,805	90,977
Operating Commitments					
Non-Cancellable Accommodation Leases					
Accommodation leases	9,427	14,420	2,580	26,427	17,190
Other Non-Cancellable Leases					
Land Lease	-	-	-	-	123
Premises Lease	19	-	-	19	407
Aircraft Leases	5,509	25,530	5,490	36,529	50,016
Licensing Agreement	-	-	-	-	-
Other Operating Lease	1,156	1,534	-	2,690	832
Other Operating Commitments					
Other Operating Commitments	1,512	5,540	-	7,052	2,307
Total Operating Commitments	17,623	47,024	8,070	72,717	70,043
Total Commitments	106,091	81,361	8,070	195,522	161,020

See Note 34 of the EPS Accounts

Core Government

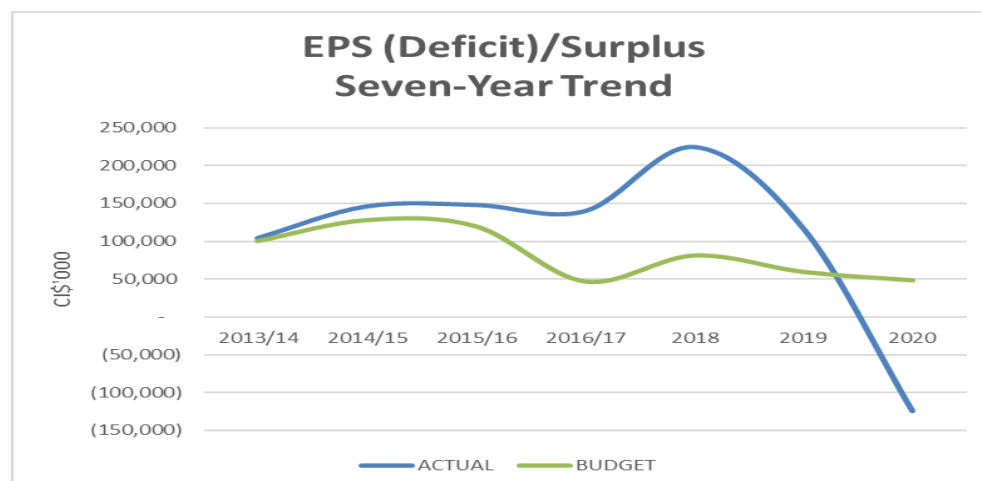
Type	One Year or Less CI\$000	One to Five Years CI\$000	Over Five Years CI\$000	31 December 2020 CI\$000	31 December 2019 CI\$000
Capital Commitments					
John Gray High School	44,833	18,042	-	62,875	-
Landfill	22,400	4,471	-	26,871	22,400
Long term residential mental health facility	9,465	6,825	-	16,290	10,165
Other property, plant and equipment	8,203	5,000	-	13,203	16,156
Total Capital Commitments	84,901	34,338	-	119,239	48,721
Operating Commitments					
Non-Cancellable Accommodation Leases					
Accommodation leases	4,671	10,429	1,515	16,615	9,211
Other Non-Cancellable Leases					
Land Lease	-	-	-	-	-
Premises Lease	-	-	-	-	-
Aircraft Leases	-	-	-	-	-
Licensing Agreement	-	-	-	-	-
Other Operating Lease	1,156	1,534	-	2,690	832
Other Operating Commitments					
Other Operating Commitments	-	-	-	-	-
Total Operating Commitments	5,827	11,963	1,515	19,305	10,043
Total Commitments	90,728	46,301	1,515	138,544	58,764

BUDGET ANALYSIS

Actual EPS total deficit of \$123.9 million was less than the original budget by \$172.0 million; as revenue fell short of expectations by 12%. Total expenses were more than the budget by \$46.3 million or 4%. Further details can be seen in the table of financial performance with actual results compared to the original and final budget below.

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 DECEMBER 2020 ENTIRE PUBLIC SECTOR				
	Original Budget 2020	Actual 2020	Performance Difference Original Budget	% Change Actual vs. Budget
CI\$'000				
Revenue				
Coercive Revenue	783,391	741,906	(41,485)	-5%
Sales of Goods & Services	305,330	218,884	(86,446)	-28%
Other Revenue	22,844	22,922	78	0%
Total Revenue	1,111,565	983,712	(127,853)	-12%
Expenses				
Personnel Costs	541,346	614,823	73,477	-14%
Supplies and Consumables	352,811	265,653	(87,158)	25%
Depreciation & Amortisation	64,134	64,769	635	-1%
Transfer Payments	44,901	69,706	24,805	-55%
Outputs from Non-Government Organizatio	31,175	43,360	12,185	-39%
Other Executive Expenses	12,659	36,071	23,412	-185%
Finance Costs	15,384	14,297	(1,087)	7%
Total Expenses	1,062,410	1,108,679	46,269	-4%
Total Other (Gains)/Losses	1,085	(1,041)	(2,126)	196%
Surplus/(Deficit) for the period	48,070	(123,926)	(171,996)	-358%

The chart below shows the net (deficit)/surplus over the past seven years compared to budget:



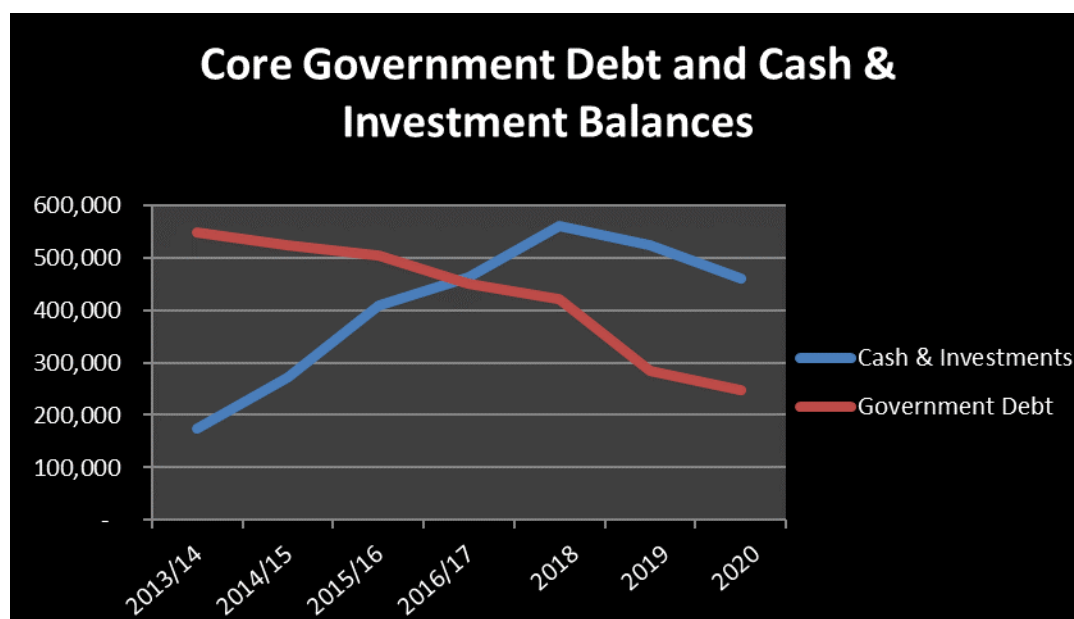
KEY FINANCIAL ACCOMPLISHMENT

The Government of the Cayman Islands manages its day-to-day operation without direct intervention by the Foreign and Commonwealth Development Office (FCDO) provided that the policies implemented are in keeping with the agreed direction/guidelines of the FCDO. These guidelines are referred to under the Public Management and Finance Act as Principles of Responsible Financial Management. Per section 34 of the PMFA, failure to comply with the borrowing, net debt and cash reserve principles as outlined below requires that any additional borrowing must first receive the approval of the Foreign and Commonwealth Development Office.

See below table showing trends for year-end cash (includes cash equivalents and investments) and debt balances for Core Government.

Core Government CI\$000							
Indicator	2013/14	2014/15	2015/16	2016/17	2018	2019	2020
Cash & Investments	173,951	271,468	408,619	462,110	559,434	524,426	460,378
Government Debt	548,499	523,322	503,318	451,081	419,964	284,380	248,555

The chart below shows the seven-year trend of cash and debt balances for Core Government, and highlights that cash exceeded debt as at 31 December 2020.



Investments in fixed deposits with maturity dates greater than 90 days at the time of placement are not reflected under Cash and Cash Equivalents on the Statement of Financial Position, but as Investments.

Cayman Islands currently holds long-term foreign currency credit ratings of Aa3 (stable outlook) from Moody's Investors Services, Inc. Ratings used to determine the creditworthiness of Cayman Islands and the likelihood of timely payment of Cayman Island's long-term debt securities.

The Table below outlines the requirements of the Principles of Responsible Financial Management.

Principle	Degree of Compliance	
	2020 Unaudited Actuals	Approved 2020 Budget
Core Government Operating Surplus : Should be positive (Operating surplus = Core Government operating revenue – Core Government operating expenses for the 12-month period 1 January to 31 December 2020)	Does Not Comply* Deficit = \$58.1 million	Complies Surplus = \$64.7 million
Net Worth: Should be positive (Net worth = Core Government assets – Core Government liabilities)	Complies Net Worth = \$1.4 billion	Complies Net Worth = \$1.5 billion
Borrowing: Debt servicing cost for the year should be no more than 10% of Core Government revenue (Debt servicing = interest + other debt servicing expenses + principal repayments for Core Government debt, Public Authorities debt and self-financing loans)	Complies Debt servicing = 7.7%	Complies Debt servicing = 7.8%
Net Debt: Should be no more than 80% of Core Government revenue (Net debt = outstanding balance of Core Government debt + outstanding balance of self-financing loan balance + weighted outstanding balance of Public Authorities guaranteed debt - Core Government liquid assets)	Complies Net debt 25.9%	Complies Net debt < 0%
Cash Reserves should be no less than estimated executive expenses for 90 Days: (Cash Reserves = Core Government cash and other liquid assets at lowest point)	Complies Cash Reserves = 162.5 days	Complies Cash Reserves = 130.5 days
Financial risks should be managed prudently so as to minimise risk	Complies Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.	Complies Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.

Responsible financial management as defined by section 14(3) of the Public Management and Finance Act (PMFA), is as follows:

- Total core government revenue less total core government expenses (measured using generally accepted accounting practice), should be positive;
- Total core government assets less total core government liabilities (measured using generally accepted accounting practice), should be positive;
- Borrowing should not exceed an amount for which the sum of interest, other debt servicing expenses, and principal repayments for a financial year are more than ten percent of core government revenue (calculated using generally accepted accounting practice), for that financial year, where, for the purposes of this principle, borrowing is defined as all borrowing that is in the name of the Government regardless of whether it is serviced directly by the core government, a statutory authority or government company;
- Net debt should be no more than eighty percent of core government revenue, where, for the purposes of this principle, net debt is defined as:
 - Central government borrowing less core government liquid assets
 - Borrowing that is serviced directly by a statutory authority or government company but is in the name of the Government; and
 - The percentage of statutory authority and government company debt guaranteed by the Government that regulations made under this Act specify is to be included in the net debt calculation;
- Cash reserves should be maintained at a level no less than the estimated executive expenses (measured using generally accepted accounting practice) for the following ninety days where, for the purpose of this principle, cash reserves are defined as core government cash and cash equivalents, marketable securities and deposits, and other liquid assets, including any amounts held for restricted funds and reserves purposes; and
- The financial risks, including contingent liabilities, facing the core government should be managed prudently so as to minimize the likelihood of any such risk resulting in an expense or liability.

GOVERNANCE

Preparation of EPS accounts is managed within the Ministry of Finance's overall risk management framework. The Accountant General is responsible on a day-to-day basis for managing risk and for ensuring that the activities necessary for the production of these accounts are properly planned, resourced and performed.

In producing EPS accounts, the Accountant General must rely on the Chief Officer through their Chief Financial Officer of each entity to manage their own risks. In some instances, the risks from underlying accounts may have a significant impact on the EPS consolidation and preparation process.

The key risks in the preparation of the EPS include:

- no formal consolidation software, over reliance on excel spreadsheets;
- inaccuracies in entities' EPS submissions, which may result in materially misstated balances;
- failure to provide data or delays in the submission of EPS submissions; and
- non-elimination of intra-group transaction streams and balances in Core Government and SAGCs, resulting in materially misstated figures in the accounts.

To manage the key risks to the EPS consolidation and preparation process, the Accountant General maintains a control and validation framework to define the controls over the preparation of the accounts and to monitor the effectiveness and completeness of the controls in place.

Procedures that assist in mitigating key EPS consolidation risks are: validation of agencies' trial balances; monthly analysis of variances between actual results and the budget and actual results with prior year balances; monthly reconciliation of inter/intra-agency balances for confirmation by agencies; and confirmation that notes to agency accounts reflect balances in the main financial statements of each agency.

The EPS Governance Framework

The Ministry receives support and assurance on the management of risks in a number of ways:

- support in the responsibilities by the Internal Audit function;
- internal framework of governance and risk management; and
- EPS accounts are subject to external audit provided by the Auditor General. The Auditor General is independent; she and her staff have access to all Ministry papers and report their findings on the accounts to Parliament.

Ministry of Finance's role in Managing Financial Risk

In addition to the EPS accounts governance framework, the Ministry of Finance and Economic Development (Ministry of Finance) also has a role in managing the Central Government's financial risk more widely. Financial risk is managed in a number of ways, including:

The Public Management and Finance Act (PMFA) and its Regulations and the Public Finance Manual (PFM) - provides Chief Officers with guidance and sets out requirements on how to handle public funds

properly. The Ministry of Finance takes the lead in ensuring compliance with the PMFA and bringing about changes to the PMFA and PFM to enhance prudent financial management.

Spending Reviews – the process through which spending is allocated to areas of Government activity according to the Government's priorities. Spending Reviews set firm and fixed spending budgets over several years for each department. This is achieved through the preparation of a Strategic Policy Statement which outlines the Government's medium-term plan and sets spending limits for a period of three years. Multi-year budgets are then prepared based on these goals and objectives and within the expenditure limits.

The budget and estimates process for Core Government and SAGCs - the Government uses the biennial budgeting system to plan and control public expenditure. The Ministry presents estimates of budgetary plans to Parliament to obtain the statutory authority to consume resources and spend cash. The budgetary system has two main objectives:

- to support the achievement of macro-economic stability by ensuring that public expenditure is controlled in support of the Government's fiscal framework; and
- to provide good incentives for departments to manage spending well so as to provide high quality public services that offer value for money for citizens.

The Ministry of Finance works with the other agencies across the public service and help that the legislated financial reporting framework is adhered to and is practiced uniformly.

The Ministry of Finance monitors agencies' spending on an ongoing basis. The Ministry of Finance also advises Cabinet on the financial impact of requests for supplementary expenditure from Core Government agencies to ensure that the additional spending will not negatively impact the objective to comply with the FFR.

FINANCIAL RISK MANAGEMENT

The Ministry of Finance manages Core Government's financial risks such as credit, liquidity, insurance, interest rate risk, commodity price risk, and currency risk. See further details in Note 37 of the EPS annual accounts.

ENTITIES NOT CONSOLIDATED IN THE EPS ACCOUNTS

The public entities below have not been consolidated in the EPS.

Segregated Insurance Fund of the Cayman Islands

The Segregated Insurance Fund (the Fund) was established under the Health Insurance Commission Act (2013). The Fund is maintained and administered by the Health Insurance Commission (HIC). The Fund's primary function is to assist the Government in providing healthcare to indigents, uninsurable, and partially uninsured individuals. Contributions to the Fund are received from approved health insurance providers regulated under the Health Insurance Regulations (2021 Revision) and under their legislation the Fund is required to remit all funds collected to the Ministry of Health, Environment, Culture and Housing (the Ministry).

Separate financial statements are prepared and audited for the Fund which is not included in the table of trust holdings, see below. It is the Accountant General's view that the assets of the Fund are considered as trust assets under the definition of the PMFA and therefore do not have to be consolidated in the EPS accounts.

Trust Holdings

Under the PMFA, "trust assets" are defined as assets (including money, not belonging to the Government) transferred or paid to the Government in trust for any purpose or to hold for or on behalf of any person, and include any such assets-

- a. To be held pending the completion of a transaction or dispute; or
- b. That belongs or is due to any person and is collected under any agreement with that person.

Trust assets are held separately and are not reported as part of these financials statements (see page 110 of the EPS accounts) but are being disclosed in accordance with the provisions of the PMFA.



FINANCIAL STATEMENTS

FOR

THE GOVERNMENT

OF

THE CAYMAN ISLANDS

FOR THE YEAR ENDED

31 DECEMBER 2020

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**MINISTRY OF
FINANCE & ECONOMIC DEVELOPMENT**
CAYMAN ISLANDS GOVERNMENT

Statement of Responsibility

These financial statements have been prepared in accordance with the provisions of section 29A of the Public Management and Finance Act (2020 Revision). The Financial Statements report the results and position for Central Government and the Entire Public Sector for the financial year ended 31 December 2020.

The financial statements were prepared by the Ministry of Finance & Economic Development on behalf of the Government. On the basis of the financial information available, the Ministry has used its best professional judgment in preparing these statements.

I accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Act (2020 Revision).

To the best of my knowledge, the financial statements comply with generally accepted accounting practices as defined by International Public Sector Accounting Standards (IPSAS), except for IPSAS 39, Employee Benefits, as it relates to the accounting for post-retirement benefits and IPSAS 35, Consolidated and Separate Financial Statements, as it relates to the non-consolidation of the Public Service Pensions Board.

Kenneth Jefferson, JP, FCA
Financial Secretary and Chief Officer
Ministry of Finance and Economic
Development
Government of the Cayman Islands

Dated: 18 December 2023

AUDITOR GENERAL'S REPORT

To the Members of Parliament

Adverse Opinion

I have audited the consolidated financial statements of the Cayman Islands Government, (the "Government"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of financial performance, consolidated statement of changes in net worth and consolidated statement of cash flows for the year ended 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies as set out on pages 18 to 113.

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the accompanying consolidated financial statements do not present fairly the financial position of the Cayman Islands Government as at 31 December 2020 and its financial performance and its cash flows for the year ended 31 December 2020 in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Adverse Opinion

Public Service Pensions Board balances and transactions excluded from consolidation

The assets of the subsidiary Public Service Pensions Board ("Pensions Board") are being held in trust and are not subject to the Government's control as defined by IPSAS35 – Consolidated Financial Statements. However, the consolidated financial statements exclude material administrative transactions and balances including cash, receivables and liabilities over which the Government does have control. Therefore all of pension board's administrative transactions and balances should be consolidated in these financial statements in accordance with IPSAS 35.

As a result of these omissions, the consolidated financial statements are understated as at 31 December 2020.

In addition, the Pensions Board administrative expenses amounting to \$4.6 million were not apportioned to the relevant lines in the consolidated statement of financial performance as required by IPSAS35. Instead the aggregate amount was added in total to "Other Executive Expenses".

Pervasive inaccuracies arising from subsequent adjustments in subsidiaries, elimination on consolidation and opening balances

As at the date of this report, two subsidiary audits were in progress for audits that related to 2020 and prior; additionally, there were material adjustments that have not been posted to completed subsidiary audits or eliminated from the consolidation. It is likely that the net impact of these amounts could materially affect figures and disclosures in the consolidated financial statements. The impact of these net adjustments could be both pervasive and material.

Incompleteness of revaluation, inconsistent accounting policies and poor controls over property, plant and equipment

Management has not been able to provide a complete valuation report to support the carrying value of the road network amount of \$366.5 million related to infrastructure, roads and sidewalks as disclosed in Note 10 to the consolidated financial statements and has omitted significant requirements to support the valuation of its road network from the accounts. In addition, there is a material difference of \$85.8 million in the infrastructure, roads and sidewalks as compared to the valuation report.

AUDITOR GENERAL'S REPORT (continued)

Basis for Adverse Opinion (continued)

Furthermore, the accounting policies used to measure some of the Statutory Authorities and Government Companies ("SAGC") land and buildings accounts are inconsistent to the central government entities. IPSAS 35 – Consolidated Financial Statements requires consistent accounting policies to be used within the consolidation. Therefore, the consolidated figure for property, plant & equipment is materially misstated due to the lack of revalued carrying amounts for certain classes of property, plant & equipment owned by some SAGC. The total carrying amount of these SAGC assets is \$29.4 million.

As a result of the matters identified, the property, plant and equipment appearing in the consolidated financial statements is materially misstated as at 31 December 2020.

Inaccuracy of depreciation and amortization expenses

The depreciation and amortization expenses amounting to \$64.8 million recorded in the consolidated statement of financial performance are materially misstated as a result of the valuation and completeness issues affecting property, plant and equipment as discussed above.

Understatement of retirement benefits liabilities

Government did not record its liabilities relating to its post-retirement healthcare program. The results of the health care liability actuarial valuation for Core government estimated the post-retirement health care net liability to be \$2.4 billion, post-retirement medical expenses totaling \$148.4 million and other comprehensive income of \$34.9 million as at 31 December 2020.

Based on the above, the total of current and non-current retirement benefits of \$906.8 million are materially misstated as at 31 December 2020.

Understatement of personnel cost

The personnel costs amounting to \$614.8 million appearing in the consolidated statement of financial performance are materially misstated due to the understatement of post-retirement health care and post-retirement pension liabilities.

Incompleteness of revenue, receivables and unearned revenue

Due to poor controls, management was unable to provide sufficient appropriate audit evidence and were not able to assert to the completeness of its coercive revenue. I have not been able to conclude on the fairness of the amount reported as coercive revenues of \$741.9 million on the statement of financial performance for the year ended 31 December 2020. Additionally, I was not able to conclude on the fairness of the amount for sales of goods and services amounting to \$218.9 million. The audits of two subsidiaries' 2020 financial statements have not yet been completed. These entities reported a total of \$18.2 million sales of goods and services in their respective financial statements.

As a result of the revenue incompleteness, I have not been able to conclude on the related current and non-current trade receivables balances of \$28.3 million, other receivables of \$9.8 million and unearned revenues of \$108.9 million appearing on the consolidated statement of financial position as at 31 December 2020.

Inaccuracy of net worth

The revaluation reserve totaling to \$640.8 million presented in the consolidated statement of financial position is materially misstated due to the valuation and completeness issues affecting property, plant & equipment. Likewise, the current and accumulated surplus/deficit amounting to \$123.9 million and \$677.2 million respectively, are materially misstated due to qualifications noted above.

AUDITOR GENERAL'S REPORT (continued)

Basis for Adverse Opinion (Continued)

Statement of cash flows not fairly presented

I was not able to conclude on the fairness of the amounts reported in the consolidated statement of cash flows due to the matters discussed affecting the pervasive inaccuracies in the opening balances of these consolidated financial statements and identify the effects of any adjustments that might be necessary on the current year's results of operations.

Omissions in financial statement disclosures

The consolidated financial statements have omitted several required disclosures by the accounting standards. These include but are not limited to:

- The Government has not established a system for reporting key management personnel transactions as required by IPSAS 20, Related Party Disclosures, as a result, I do not opine on the accuracy of related party balances.
- The consolidated financial statement does not include all of the required disclosures of IPSAS 39 Employee Benefits.
- The consolidated financial statement does not include all material disclosures as required by IPSAS 24 Presentation of Budget Information in Financial Statements.

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 consolidated Financial Statements* section of my report. I am independent of the Government in accordance with 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 consolidated 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 adverse opinion.

Other Matters

Compliance with acts, regulations and other considerations

I draw to the attention of the reader, that due to the adverse opinion, no further consideration was given to any other balances, transactions, disclosures or compliance with acts or regulations matters as it relates to these consolidated financial statements.

The Public Authorities Act (2020 Revision), Section 47 - Terms and conditions and remuneration of staff came into effect on 1 June 2019 and required all SAGCs to comply with its requirements to standardize salaries and benefits. At the date of this report, most SAGCs were able to complete the process, however, the impact was not recognized in the 31 December 2020 consolidation. My opinion is not modified in respect of this matter.

Other information

Other financial information in the annual report has not been audited by us, and therefore, I do not express an opinion thereon.

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

Management is responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Government'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 Government or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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 consolidated 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 Government'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 Government'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 consolidated 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 Government to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated 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 Act (2020 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
Auditor General

18 December 2023
Cayman Islands

Financial Statements

Statement of Financial Position

GOVERNMENT OF THE CAYMAN ISLANDS					
STATEMENT OF FINANCIAL POSITION					
AS AT 31 DECEMBER 2020					
Core Actual 2019	EPS Actual 2019			Core Actual 2020	EPS Actual 2020
CIS000	CIS000		Note	CIS000	CIS000
Current Assets					
107,508	358,431	Cash and Cash Equivalents	2	160,032	445,968
10,316	37,887	Trade Receivables	3	13,264	27,864
19,855	18,299	Other Receivables	4	15,578	9,747
1,736	-	Dividend Receivable	4	1,471	-
3,353	19,003	Inventories	5	4,657	25,177
384	2,619	Loans Made	6	13,138	1,733
416,918	439,537	Investments	7	300,346	332,800
6,400	14,138	Prepayments	8	9,393	20,623
-	896	Biological Assets	9	-	847
566,470	890,810	Total Current Assets		517,879	864,759
Non-Current Assets					
427	427	Trade Receivables	3	427	427
100	16,723	Loans Made	6	-	17,785
1,477,967	1,942,426	Property, Plant and Equipment	10	1,519,986	2,028,000
2,222	5,262	Intangible Assets	11	2,814	4,899
-	9,150	Investment Property	12	-	7,300
831	83,846	Investments	7	831	69,301
389,513	-	Net Worth - Public Entities	43	348,036	-
-	7	Other Non-Current Assets		225	227
1,871,060	2,057,841	Total non-current assets		1,872,319	2,127,939
2,437,530	2,948,651	Total Assets		2,390,198	2,992,698
Current Liabilities					
12,537	24,646	Trade Payables	13	12,741	25,473
90,680	55,362	Other Payables & Accruals	13	96,023	39,161
-	1,955	Bank Overdraft	2	-	4,752
57,822	70,082	Unearned Revenue	14	84,265	95,431
8,607	10,680	Employee Entitlements	15	9,134	10,980
19,125	21,473	Retirement Benefits	16	23,595	25,139
35,825	52,136	Borrowings/Public Debts	17	34,225	41,298
30	10,353	Provisions	18	44	15,662
224,626	246,687	Total Current Liabilities		260,027	257,896
Non-Current Liabilities					
-	1,456	Other Payables & Accruals	13	48	1,721
13,621	13,621	Unearned Revenue	14	13,476	13,476
390,458	708,246	Retirement Benefits	16	472,501	881,701
248,555	278,002	Borrowings/Public Debts	17	214,330	243,662
-	140,369	Currency Issued	19	-	164,426
-	-	Provisions	18	25,512	25,512
652,634	1,141,694	Total Non-Current Liabilities		725,867	1,330,498
877,260	1,388,381	Total Liabilities		985,894	1,588,394
1,560,270	1,560,270	Net Assets		1,404,304	1,404,304
Net Assets/Equity					
175,140	181,636	Reserves	20	171,536	210,216
490,700	636,490	Revaluation Reserve	20	490,968	640,801
117,704	117,704	Current Period Surplus (Deficit)		(123,926)	(123,926)
776,726	624,440	Accumulated Surplus (Deficit)		865,726	677,213
1,560,270	1,560,270	Total Net Assets/Equity		1,404,304	1,404,304

Statement of Financial Performance

GOVERNMENT OF THE CAYMAN ISLANDS						
STATEMENT OF FINANCIAL PERFORMANCE						
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020						
Core Actual 2019 CIS\$000	EPS Actual 2019 CIS\$000			Core Actual 2020 CIS\$000	EPS Actual 2020 CIS\$000	
			Note			
		Revenue				
795,509	795,070	Coercive Revenue	21	741,973	741,906	
46,766	311,499	Sales of Goods & Services	22	39,503	218,884	
18,431	26,306	Investment Revenue	23	8,496	14,087	
1,237	1,742	Donations	24	3,125	4,008	
18	1,187	Other Revenue		4,220	4,827	
861,961	1,135,804	Total Revenue		797,317	983,712	
		Expenses				
307,791	517,833	Personnel Costs	25	352,991	614,823	
112,822	296,774	Supplies and Consumables	26	126,675	252,038	
6,019	12,567	Leases	27	6,757	13,615	
35,982	59,368	Depreciation/Amortisation	28	38,695	64,769	
130,310	-	Outputs from Statutory Authorities and Government Companies	42	165,459	-	
50,028	50,028	Outputs from Non-government Organisations	29	43,360	43,360	
39,458	39,458	Transfer Payments	30	69,706	69,706	
367	862	Litigation Costs		393	1,215	
10,620	16,044	Other Executive Expenses	31	41,022	34,856	
22,067	24,947	Finance Costs	32	13,267	14,297	
715,464	1,017,881	Total Expenses		858,325	1,108,679	
		Other (Gains)/Losses				
(18)	(18)	(Gains)/Losses on Derecognition of Assets/Liabilities		-	-	
8,511	8,511	Impairment of Property, Plant and Equipment		-	-	
-	(175)	Impairment of Inventory		-	(210)	
(4,007)	(5,210)	(Gains)/Losses on Financial Instruments		(3,389)	(3,604)	
(1,788)	(2,889)	(Gains)/Losses on Non-financial Instruments		456	2,773	
26,095	-	(Surplus)/Deficit on Statutory Authorities & Government Companies		65,851	-	
28,793	219	Total Other (Gains)/Losses		62,918	(1,041)	
117,704	117,704	Surplus/(Deficit) for the Period		(123,926)	(123,926)	

Statement of Cash Flows

GOVERNMENT OF THE CAYMAN ISLANDS			
STATEMENT OF CASH FLOWS			
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020			
EPS Actual 2019 CI\$000			EPS Actual 2020 CI\$000
		Note	
Operating Activities			
Cash received			
768,341	Coercive Receipts		763,711
310,000	Sales of Goods & Services		247,418
29,908	Interest received		15,850
507	Donations / Grants received		20,583
33,630	Other receipts		18,998
1,142,387	Total cash received		1,066,560
Cash used			
(485,974)	Personnel costs		(571,350)
(306,535)	Supplies and consumables		(107,852)
(46,018)	Outputs from non-governmental organisations		(43,772)
(40,142)	Transfer payments		(67,650)
(29,750)	Financing/interest payments		(16,057)
(50,306)	Other payments		(72,493)
(958,725)	Total cash used		(879,174)
183,662	Net cash flows from (used by) operating activities	33	187,386
Investing activities			
Cash received			
2,428	Proceeds from sale of property, plant and equipment		1,222
986,887	Proceeds from the sale of Investments		835,935
	Loans made		543
989,315	Total cash received		837,700
Cash used			
(111,393)	Purchase of property, plant and equipment		(121,090)
(937,298)	Purchase of Investments: Placement of Fixed Deposits		(693,019)
	Loans made by Government		(148)
(1,048,691)	Total cash used		(814,257)
(59,376)	Net cash flows from (used by) investing activities		23,443
Financing activities			
154,332	Proceeds from Borrowing		-
154,332	Total cash received		-
(299,297)	Repayment of Borrowings		(45,506)
(299,297)	Total cash used		(45,506)
(144,965)	Net cash flows from (used by) financing activities		(45,506)
(20,680)	Net increase/(decrease) in cash and cash equivalents held		165,323
377,156	Cash and cash equivalents at beginning of period		275,893
356,476	Cash and cash equivalents at end of period	2	441,216
358,431	Cash and cash equivalents (excluding bank overdrafts)		445,968
(1,955)	Less Overdraft		(4,752)
356,476	Cash and cash equivalents		441,216

Statement of Changes in Net Worth

GOVERNMENT OF THE CAYMAN ISLANDS				
STATEMENT OF CHANGES IN NET WORTH				
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020				
	Attributable to Cayman Islands Government			
	Reserves	Revaluation	Accumulated Surplus/(Deficits)	Total Net Worth
	CI\$000	CI\$000	CI\$000	CI\$000
Balance at 31 December 2018	203,764	619,202	606,400	1,429,366
Changes in net worth for 2019				
Prior Period Adjustments	-	17,288	(4,088)	13,200
Movement in Reserves	(22,128)	-	22,128	-
Net revenue / expenses recognised directly in net worth	(22,128)	17,288	18,040	13,200
Surplus/(deficit) for the period 2019	-	-	117,704	117,704
Total recognised revenues and expenses for the period	(22,128)	17,288	135,744	130,904
Balance at 31 December 2019	181,636	636,490	742,144	1,560,270
Balance at 31 December 2019	181,636	636,490	742,144	1,560,270
Changes in net worth for 2020				
Prior Period Adjustments	-	4,311	(36,351)	(32,040)
Movement in Reserves	28,580	-	(28,580)	-
Net revenue / expenses recognised directly in net worth	28,580	4,311	(64,931)	(32,040)
Surplus/(deficit) for the period 2020	-	-	(123,926)	(123,926)
Total recognised revenues and expenses for the period	28,580	4,311	(188,857)	(155,966)
Balance at 31 December 2020	210,216	640,801	553,287	1,404,304

Statement of Comparison of Budget and Actual Amounts

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 ENTIRE PUBLIC SECTOR				
	Note	Original Budget 2020 CIS\$000	Actual 2020 CIS\$000	Performance Difference CIS\$000
Current Assets				
Cash and Cash Equivalents	2	392,622	445,968	53,346
Trade Receivables	3	39,457	27,864	(11,593)
Other Receivables	4	12,850	9,747	(3,103)
Inventories	5	14,416	25,177	10,761
Loans Made	6	2,189	1,733	(456)
Investments	7	228,833	332,800	103,967
Prepayments	8	15,646	20,623	4,977
Biological Assets	9	-	847	847
Total Current Assets		706,013	864,759	158,746
Non-Current Assets				
Trade Receivables	3	3,225	427	(2,798)
Other Receivables	4	1,548	-	(1,548)
Loans Made	6	21,119	17,785	(3,334)
Property, Plant and Equipment	10	2,168,273	2,028,000	(140,273)
Intangible Assets	11	18,581	4,899	(13,682)
Investment Property	12	-	7,300	7,300
Investments	7	831	69,301	68,470
Other Non-Financial Assets		-	227	227
Total Non-Current Assets		2,213,577	2,127,939	(85,638)
Total Assets		2,919,590	2,992,698	73,108
Current Liabilities				
Trade Payables	13	37,624	25,473	(12,151)
Other Payables & Accruals	13	85,845	39,161	(46,684)
Bank Overdraft	2	2,085	4,752	2,667
Unearned Revenue	14	65,119	95,431	30,312
Employee Entitlements	15	9,966	10,980	1,014
Retirement Benefits	16	29,885	25,139	(4,746)
Borrowings	17	39,032	41,298	2,266
Provisions	18	-	15,662	15,662
Total Current Liabilities		269,556	257,896	(11,660)
Non-Current Liabilities				
Trade Payables	13	538	-	(538)
Other Payables & Accruals	13	9,096	1,721	(7,375)
Unearned Revenue	14	13,570	13,476	(94)
Retirement Benefits	16	716,189	881,701	165,512
Borrowings	17	254,656	243,662	(10,994)
Currency Issued	19	134,319	164,426	30,107
Provisions	18	-	25,512	25,512
Total Non-Current Liabilities		1,128,368	1,330,498	202,130
Total Liabilities		1,397,924	1,588,394	190,470
Net Assets		1,521,666	1,404,304	(117,362)
Net Assets/Equity				
Reserves	20	170,948	210,216	39,268
Revaluation Reserve	20	637,098	640,801	3,703
Current Period Surplus		48,070	(123,926)	(171,996)
Accumulated Surplus/(Deficit)		665,550	677,213	11,663
Total Net Assets/Equity		1,521,666	1,404,304	(117,362)

Statement of Comparison of Budget and Actual Amounts (continued)

GOVERNMENT OF THE CAYMAN ISLANDS				
STATEMENT OF FINANCIAL POSITION				
AS AT 31 DECEMBER 2020				
CORE GOVERNMENT				
	Note	Original Budget 2020 CIS\$000	Actual 2020 CIS\$000	Performance Difference CIS\$000
Current Assets				
Cash and Cash Equivalents	2	167,305	160,032	(7,273)
Trade Receivables	3	13,141	13,264	123
Other Receivables	4	15,170	15,578	408
Dividends Receivable	4	-	1,471	1,471
Inventories	5	2,855	4,657	1,802
Loans Made	6	499	13,138	12,639
Investments	7	157,853	300,346	142,493
Prepayments	8	6,117	9,393	3,276
Total Current Assets		362,940	517,879	154,939
Non-Current Assets				
Trade Receivables	3	2,734	427	(2,307)
Other Receivables	4	1,548	-	(1,548)
Loans Made	6	100	-	(100)
Property, Plant and Equipment		1,601,954	1,519,986	(81,968)
Intangible Assets		13,515	2,814	(10,701)
Investments	7	831	831	-
Net Worth - Public Entities	43	426,095	348,036	(78,059)
Other Non-Financial Assets		-	225	225
Total Non-Current Assets		2,046,777	1,872,319	(174,458)
Total Assets		2,409,717	2,390,198	(19,519)
Current Liabilities				
Trade Payables	13	37,592	12,741	(24,851)
Other Payables & Accruals	13	96,705	96,023	(682)
Unearned Revenue	14	55,929	84,265	28,336
Employee Entitlements	15	8,686	9,134	448
Retirement Benefits	16	26,856	23,595	(3,261)
Borrowings	17	31,518	34,225	2,707
Provisions	18	-	44	44
Total Current Liabilities		257,286	260,027	2,741
Non-Current Liabilities				
Other Payables & Accruals	13	-	48	48
Unearned Revenue	14	13,570	13,476	(94)
Retirement Benefits	16	399,233	472,501	73,268
Borrowings	17	218,595	214,330	(4,265)
Currency Issued	19	-	-	-
Provisions	18	-	25,512	25,512
Total Non-Current Liabilities		631,398	700,355	94,469
Total Liabilities		888,684	960,382	97,210
Net Assets		1,521,033	1,429,816	(116,729)
Net Assets/Equity				
Reserves	20	143,503	171,536	28,033
Revaluation Reserve	20	467,976	490,968	22,992
Current Period Surplus		47,437	(123,926)	(171,363)
Accumulated Surplus/(Deficit)		862,117	865,726	3,609
Total Net Assets/Equity		1,521,033	1,404,304	(116,729)

Statement of Comparison of Budget and Actual Amounts (continued)

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2020 ENTIRE PUBLIC SECTOR				
	Note	Original Budget 2020 CI\$000	Actual 2020 CI\$000	Performance Difference CI\$000
Revenue				
Coercive Revenue	21	783,391	741,906	(41,485)
Sales of Goods & Services	22	305,330	218,884	(86,446)
Investment Revenue	23	12,250	14,087	1,837
Donations	24	1,128	4,008	2,880
Other Revenue		9,466	4,827	(4,639)
Total Revenue		1,111,565	983,712	(127,853)
Expenses				
Personnel Costs	25	541,346	614,823	73,477
Supplies and Consumables	26	352,811	252,038	(100,773)
Leases	27	-	13,615	13,615
Depreciation & Amortisation	28	64,134	64,769	635
Outputs from Non-Government Organizations	29	31,175	43,360	12,185
Transfer Payments	30	44,901	69,706	24,805
Litigation Costs		1,283	1,215	(68)
Other Executive Expenses	31	11,376	34,856	23,480
Finance Costs	32	15,384	14,297	(1,087)
Total Expenses		1,062,410	1,108,679	46,269
Other (Gains)/Losses				
Impairment of Property, Plant and Equipment		1,085	-	(1,085)
Impairment of Inventory			(210)	(210)
(Gains)/Losses on Financial Instruments		-	(3,604)	(3,604)
(Gains)/Losses on Non-financial Instruments		-	2,773	2,773
Total Other (Gains)/Losses		1,085	(1,041)	(2,126)
Surplus/ (Deficit)for the period		48,070	(123,926)	(171,996)

Statement of Comparison of Budget and Actual Amounts (continued)

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2020 CORE GOVERNMENT				
		Original Budget 2020	Actual 2020	Performance Difference
	Note	CI\$000	CI\$000	CI\$000
Revenue				
Coercive Revenue	21	783,391	741,973	(41,418)
Sales of Goods & Services	22	34,389	39,503	5,114
Investment Revenue	23	7,008	8,496	1,488
Donations	24	193	3,125	2,932
Other Revenue		53	4,220	4,167
Total Revenue		825,034	797,317	(27,717)
Expenses				
Personnel Costs	25	363,564	352,991	(10,573)
Supplies and Consumables	26	124,903	126,675	1,772
Leases	27	-	6,757	6,757
Depreciation & Amortisation	28	38,389	38,695	306
Outputs to Statutory Authorities and Government Companies	42	131,793	165,459	33,666
Outputs from Non-Government Organizations	29	31,658	43,360	11,702
Transfer Payments	30	45,051	69,706	24,655
Litigation Costs		1,001	393	(608)
Other Executive Expenses		11,469	41,022	29,553
Finance Costs	32	12,539	13,267	728
Total Expenses		760,367	858,325	97,958
Other (Gains)/Losses				
(Gains)/Losses on Financial Instruments		-	(3,389)	(3,389)
(Gains)/Losses on Non-financial Instruments		-	456	456
(Surplus)/Deficit on Statutory Authorities & Government Companies		(17,230)	65,851	83,081
Total Other (Gains)/Losses		(17,230)	62,918	80,148
Surplus/(Deficit) for the Period		47,437	(123,926)	(171,363)

Notes to the Financial Statements

GOVERNMENT OF THE CAYMAN ISLANDS NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Cayman Islands are an Overseas Territory of the United Kingdom, a foreign sovereign territory. His Majesty the King of England, as the British King Regnant, is the head of state of the Cayman Islands and appoints the Governor to administer the Government of the Cayman Islands on her behalf. The Cayman Islands has its own Constitution and is governed by a local parliamentary democracy comprised of executive, legislative and judicial branches.

Although financial decisions of the Government are made by the Parliament and Cabinet, and although the United Kingdom does not provide direct financial support to the Cayman Islands, the United Kingdom closely monitors financial activities.

Principal Activities

The principal activities and operations of the Government of the Cayman Islands (the "Government") are to provide:

- General public services
- Public order and safety
- Economic opportunity
- Environmental protection
- Health
- Social Protection
- Housing and community amenities
- Recreational, cultural and religious diversity
- Education

In addition, the Government administers assets transferred or paid to it in trust for any purpose, or to hold for or, on behalf of any person or entity.

These financial statements should be read in conjunction with the financial statements of the individual Ministries, Portfolios, Offices, Statutory Authorities and Government Companies.

Note 1: Summary of Accounting Policies

Statement of Compliance

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

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements.

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

Reporting Period

The reporting period for these financial statements of the Government of the Cayman Islands is for the period from 1 January 2020 to 31 December 2020.

Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting, unless otherwise stated. The cash flows statement has been prepared using the direct method.

The measurement base applied to these financial statements is fair market value.

The financial statements are presented in Cayman Islands dollars rounded to the nearest thousand.

Going Concern

The outbreak of the COVID-19 pandemic and the measures adopted by the Government to mitigate the pandemic's spread have significantly impacted the Government's performance and position for the year. These measures required the Government to enter a period of lockdown and close the jurisdiction's borders from early March 2020, thereby reducing activity in the local economic market and revenues derived from the tourism sector. The Government also sought to increase support to individuals and business negatively impacted by these measures.

For the year ended 31 December 2020, the Entire Public Sector recognised a net deficit of \$123.9 million. The Entire Public Sector's net assets as at 31 December 2020 were \$1.4 billion. The Government has \$441.2 million of resources comprising cash and cash equivalents and other highly liquid short-term investments.

In June 2020, the Government also secured a stand-by Line of Credit (LoC) with a consortium of local banks for CI\$330.0 million (US\$403.0 million) - in order to provide

Note 1: Summary of Accounting Policies (continued)

Going Concern (continued)

additional financial resources in the event that such resources are needed and, to mitigate the effects of Government's loss of revenue and increased expenditure related to COVID-19.

The COVID-19 pandemic remains a threat to economic activities worldwide. The uncertainty about the economic impact of COVID-19, including restrictions imposed to slow the spread of the virus will impact the Government's operations in future periods. If a material uncertainty exists, it may cast significant doubt on the Government's ability to continue as a going concern and, therefore, the Government may be unable to realise its assets and discharge its liabilities in the normal course of operations.

These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

Judgments and Estimates

The preparation of these financial statements is in conformity with IPSAS that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The areas where estimates, assumptions or judgement are significant include, but are not limited to: post-employment benefit obligations, provisions, fair value estimations, contingent assets and liabilities and impairment of non-financial assets. The estimates and associated assumptions are based on the judgement of management, historical experience, reports from independent experts and various other factors that are believed to be reasonable under the circumstances. Any uncertainties regarding possible outcomes are dealt with by using expected outcomes.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Going Concern; and
- Contingent Liabilities.

Actual results may differ from these estimates. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

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.

Note 1: Summary of Accounting Policies (continued)

Basis of Combination

These financial statements utilise the equity method of combination at Central Government level for its investment in Statutory Authorities and Government Companies and a full consolidation approach is taken at the Entire Public Sector level.

The Reporting Entities of the Government of the Cayman Islands consists of Central Government and Statutory Authorities and Government Companies. These agencies collectively are referred to as Entire Public Sector. Reporting entities include:

Central Government

- Legislative Assembly
- Governor in Cabinet
- Ministries
- Portfolios
- Judicial Administration
- Office of the Premier
- Office of the Auditor General
- Office of the Police Commissioner
- Office of the Director of Prosecutions
- Office of the Ombudsman
- Government Departments, Sections and Units

Other Entities

- Statutory Authorities
- Government Companies

The financial statements of each reporting entity include all revenues, expenses, assets, and liabilities which are controlled by the entity. Revenues, expenses, assets, and liabilities, which are not controlled by the reporting entity, e.g. trust assets, have been excluded from the consolidation and reported separately in the Statement of Trusts (see note 46).

Corresponding assets, liabilities, income and expenses, are added together line by line. Transactions, balances and unrealised gains and losses on transactions between entities are eliminated on combination. Where necessary, adjustments are made to the financial statements of Statutory Authorities and Government Companies to bring the accounting policies in line with those used by Central Government. Statutory Authorities and Government Companies are not required to report their results using IPSAS, however, for consolidation purposes all entities included in the Entire Public Sector reporting must provide restated results using IPSAS.

Note 1: Summary of Accounting Policies (continued)

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.

The Statement of Changes in Net Worth reflects changes in accounting policies and corrections of errors and omissions.

New, Revised and Amended International Public Sector Accounting Standards issued not early adopted

In November 2020, the IPSASB published COVID-19: Deferral of Effective Dates which delays the effective dates of recently published Standards and Amendments to IPSAS by one year to 1 January 2023. The Standards and Amendments which are impacted are:

- ISPAS 41 – Financial Instruments,
- IPSAS 42 – Social Benefits,
- IPSAS 36 – Amendments to Long-term Interests in Associates and Joint ventures,
- IPSAS 41 – Amendments to Prepayment features with negative compensation,
- IPSAS 19 – Amendments to Collective and individual services and Improvements to IPSAS 2019.

Budget Amounts

The original budget amounts for the financial year are as presented in the 2020-2021 Plan and Estimates as approved by the Parliament on 8 November 2019. The Final Budget does not include amounts authorised in advance of appropriation issued under section 11 (5) or section 12 of the Public Management and Finance Act (2020 Revision).

The budget is prepared on the accrual basis. As a result of the adoption of the accrual basis for budgeting purpose there is no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the Statement of Comparison to Budget and Actual Amounts. Explanatory comments are provided in the notes to the financial statements for major variances (including adjustments, overspend or underspending) against budget (see Note 34).

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.

The Government derives its revenue through the coercive power of the state for which no direct exchange of service occurs and from the sale of goods and services to third parties.

Note 1: Summary of Accounting Policies (continued)

Coercive revenue

Coercive revenue is recognised on the following basis: -

<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
Taxes on International Trade and Transactions • Import Duties • Other Taxes on International Trade and Transactions	When goods become liable for duty, generally at declaration, prior to release of goods When liability for tax or fee is incurred
Domestic Levies on Goods and Services • Business and Professional Licenses • Other Taxes on Goods and Services • Motor Vehicle Tax • Tourist Accommodation Tax • Miscellaneous Stamp Duty • Miscellaneous Immigration Fees	Upon initial application and, if appropriate, when renewed Upon delivery of goods and services Upon initial application and due date for annual renewal When monthly return is due At the time the goods are delivered Upon application
Taxes on Property • Land Transfer Duty • Infrastructure Fund Fee	At time of transfer of ownership For non-refundable fees, upon application for planning approval For refundable fees, once planning approval is granted
Other • Court Fines • Other Fines • Other Revenue	When fine imposed When fine imposed As earned

Sale of Goods and Services

Revenue from the supply of goods and services to third parties is measured at the fair value of consideration received. Revenue from the supply of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the supply of services is recognised on a straight-line basis over the specified period of the services unless an alternative method better represents the stage of completion of the transaction.

Rental Income

Rental income is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease. Lease incentives granted are recognised evenly over the term of the lease as a reduction in total rental income.

Note 1: Summary of Accounting Policies (continued)

Investment Revenue

Income from investment is recognised when the right to receive payment has been established and it is probable that the economic benefits will flow to the Government and the amount can be measured reliably. Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Donations

Donations received are recognised immediately as income in the fiscal year received if:

- a) All conditions necessary for use of these resources have been met and/or,
- b) In situations where specific use has been determined by the donor, the Government has purview on the timing of the use of resourced donated once the provisions of (a) above have already been met as necessary.

Expenses

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

Interest expense

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of loan interest, except where interest incurred on a qualifying asset is capitalised. The interest expense of loan payments is recognised in the statement of financial performance using the effective interest rate and or straight-line method as appropriate.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as 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. Where incentives are received under an operating lease, the expenses are recognised 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.

Finance Leases

Leases in which the contract transfers substantially all risks and rewards related to an asset incidental to the ownership thereof, is classified as finance lease. Such leases are treated in the Statement of Financial Position of the lessor as a receivable at an amount equal to the net investment in the lease.

Note 1: Summary of Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in-transit, cash at bank, deposits on call and short-term highly liquid investments with a maturity of no more than three months from the date of acquisition, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term investments as defined above, net of bank overdrafts.

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 a first-in first-out (FIFO) basis or weighted average cost basis 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.

Stock of Notes and Coins for/in Circulation

The stock of unissued currency notes is stated at cost of production. Only the cost of notes issued into circulation is expensed, on a "first in, first out" basis. All associated cost such as shipping, handling and insurance are expensed immediately.

When the currency is issued, the face value of the currency is also recognized as a liability within the "Demand liabilities, currency in circulation"

Stocks of Numismatic Items

Stocks of numismatic items consist of gold and silver bullion arising from the meltdown of numismatic coins (the gold and silver bullion content of the following categories of numismatic coins: coins for resale, museum items and coins awaiting melt-down). Bullion stocks are stated at year end market values for gold and silver bullion and unrealised gains/losses are recorded in the statement of financial performance.

Note 1: Summary of Accounting Policies (continued)

Water inventory

Inventory of the Water Authority consists of consumable spares and water. Consumable spares are accounted for on the first-in, first-out basis. Water inventory is calculated at the cost of water plus chemicals multiplied by the volume of water.

Affordable Housing Initiative (AHI) Houses

Houses to be sold consist of completed houses that specific parcels have been allocated, Certificates of Occupancy have been issued, and are specifically held for re-sale. Homes are valued at lower of cost to construct and net realisable value. Houses which are held as rental property or lease-to-own are held in property, plant and equipment – Affordable Housing Initiative (AHI) Houses.

Inventory also consists of land lots held for transfer on sale of the completed houses held in inventory. In accordance with IPSAS 12, where inventory is acquired as a non-exchange transaction, the costs are measured at the fair value on acquisition. The fair value of the land is based on the first valuation carried out on acquisition.

Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as prepayments and classified as current assets in these financial statements.

Biological Assets

Biological assets are living animals or plants. For the purpose of these financial statements biological assets refer to turtles that are either reared for slaughter or breeding at the Cayman Islands Turtle Centre.

Biological assets – Secondary Herd

The secondary herd, which are reared for slaughter, is valued at fair value, calculated using market prices and expected yields of each type of product based on historical data. Changes in the carrying amount attributable to physical change in such biological assets and changes attributable to price change are recognised as income or expense in the Statement of Financial Performance.

Biological Assets – Breeder Herd

It is management's policy to differentiate between turtles which were acquired from the wild and will be released at the end of their breeding lives, and farm bred turtles which may be slaughtered at the end of their breeding lives. Mature turtles (those that have reached breeding age) acquired from the wild have a zero carrying value. The breeder herd is valued at fair value, calculated using market prices and expected yields of each type of product based on historical data, less cost to maintain.

Note 1: Summary of Accounting Policies (continued)

Fair value hierarchy

The fair value measurements for the breeder herd and secondary herd have been categorised as Level 3 fair values based on the inputs to the valuation techniques used.

Valuation techniques and significant unobservable inputs

The following valuation techniques and significant unobservable inputs have been used in determining the Level 3 fair values of the breeder herd and secondary herd:

Valuation technique: The valuation model considers the percentage of steak, stew, fin bone and menavelin that can be yielded as well as the current selling prices for these items. This is considered to be the “Cash Inflows” and is estimated for the applicable herd and for that remaining herd to be processed and sold.

The “Cash Outflows” are the cost to process the remaining live weight of the applicable herd based on the costing for the 2018 production.

Unobservable inputs: Percentage yields, estimated weight gain as well as the directly attributable processing costs are considered to be unobservable inputs.

Property, Plant and Equipment

Property, plant and equipment, is stated at revalued cost less accumulated depreciation and impairment losses. Items of property, plant and equipment are initially recorded at cost. Costs may include any estimated future cost for environmental remediation of a site. Where an asset is acquired for nil or nominal consideration, the asset is recognised 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.

Where revaluation of property, plant and equipment is carried out, all items of a given class of assets are revalued for a respective entity. Revaluation increases shall be credited directly to revaluation surplus. The increase shall be recognised as revenue in surplus or deficit to the extent that it reverses a revaluation decrease of the same class of assets previously recognised as an expense in the surplus or deficit. Revaluation decreases are debited first against the revaluation surplus related to the same class of assets previously recorded, and any excess against surplus or deficit.

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.

Note 1: Summary of Accounting Policies (continued)

Property, Plant and Equipment (continued)

<u>Asset Type</u>	<u>Estimated Useful life</u>
• Buildings and structures	10 - 60 years
• Building fit-out (when accounted for separately)	5 - 25 years
• Roads, sidewalks, signs and traffic lights	6 - 50 years
• Heritage buildings & memorials and monuments	100 years
• Leasehold Improvement	Over the unexpired period of lease or the useful life of improvement
• Computer Equipment	3 - 10 years
• Office equipment and furniture	3 - 25 years
• Motor vehicles	3 - 20 years
• Boats and marine equipment	3 - 25 years
• Cleaning, refuse and recycling equipment	3 - 15 years
• Construction and other equipment	3 - 25 years
• Telecommunications	5 - 50 years
• Books, Music, manuscripts and works of art	2 - 10 years
• Clothing	0 - 4 years
• Aeroplanes and airport/aviation equipment	8 - 33 years
• Firefighting plant and equipment	10 - 12 years
• Other equipment	5 - 20 years
• Medical and medical laboratory equipment	1 - 25 years
• Library assets	5 - 10 years
• Scientific and laboratory equipment	4 - 25 years
• Water and sewage treatment	10 - 50 years
• Heritage Assets	Nil
• Public Open Spaces	Nil

Heritage Assets

Heritage assets (including monuments) are assets that have cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Heritage assets which have a market value or determinable value and meet the definition and recognition criteria are to be accounted for in accordance with IPSAS 17 Property, Plant and Equipment; otherwise they are not recognised on the Statement of Financial Position but disclosed in the notes to the financial statements. Heritage assets included in the Statement of Financial Position are carried at a nominal value of \$1.

Note 1: Summary of Accounting Policies (continued)

Public Open Spaces

Public open space zones comprise predominantly undeveloped areas of land vested, or intended to be vested, in the Government or over which the public have rights and which is available to members of the public generally (whether subject to fulfilling any lawful condition or not) for purposes of sport, recreation, or the enjoyment of study of nature. Such areas include, but are not limited to, parks, reserves, beaches, playgrounds, sports grounds and playing fields, plazas, public access ways and land set aside for public purposes development and subdivisions under the Development and Planning Regulations

(2015 Revision). These assets are carried at a nominal value of \$1 in the Statement of Financial Position.

Disposals

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

Intangible Assets

Intangible assets are stated at historical cost less accumulated amortisation and any impairment losses. Amortisation is provided over the estimated useful life using the straight-line method. The estimated useful life for intangible asset classes is as follows:

- | | |
|---------------------------|--------------|
| • Developed software | 4 - 10 years |
| • Other Intangible assets | 1 - 4 years |

Gains and losses on disposals of intangible assets 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.

Construction in Progress

This relates to cost incurred attributable to bringing the asset to condition necessary for it to be capable of operating in the manner intended for its use. They are then reclassified to the appropriate asset category once completed. Construction in progress is measured at cost. No depreciation is calculated until it is completed and available for its intended use.

Investment Property

Investment Property is reported using the fair value basis. This is fair valued at the end of each reporting period and changes in the fair value is charged to other gains/losses in the Statement of Financial Performance.

Note 1: Summary of Accounting Policies (continued)

Investment Property (continued)

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal.

Gains or losses on disposal of investment property are determined by comparing the sale proceeds and the carrying amount of the asset. Gains or losses on disposal are included in the Statement of Financial Performance in the period which the property was disposed.

Transfers are made to or from investment property only when there is a change in use.

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 Central Government are paid in to the Public Service Pension Fund (the "Fund") and administered by the Public Service Pension Board (the "Board"). Contributions of 12.4% - employer 6.4% and employee 6% for Defined Contribution Participants and 17.5% - employer 11.5% and employee 6% for Defined Benefit Participants are made to the Fund by the Government.

Prior to 1 January 2000 the Board operated a defined benefit scheme. With effect from 1 January 2000 the Government continued to provide a defined benefit scheme for existing employees and a defined contributions 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 Statement of Financial Position and in the Statement of Financial Performance for any contributions made during the period.

With the introduction of the National Pension Act in 1998, all new employees of Statutory Authorities and Government Companies who are not participants in the Public Service Pensions Fund are enrolled in an approved local pension plan.

Pension Liability

The pension liability is accounted for in accordance with IPSAS 39 - Employee Benefits.

Note 1: Summary of Accounting Policies (continued)

Defined Benefit Plan

Pension liability under the defined benefit plan is recognised net of the following amounts:

- The present value of the defined benefit obligation as at 31 December 2020;
- Plus, any actuarial gains (less any actuarial losses) not recognised as income or expense;
- Minus any past service costs not yet recognised as an expense; and
- Minus the fair value at 31 December 2020 of plan assets out of which the obligations are to be settled directly.

Defined Contribution Plan

The pension liability under the defined contribution plan is recognised in the same period the contribution payable is exchanged for service rendered by an employee.

Financial Instruments

The Government is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, loans made, trade and accounts receivables, investments and trade and accounts payable, loans and borrowings, 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 or exchange financial instruments under conditions that are potentially favourable. Financial assets comprise of cash and cash equivalents, loans made, investments, and accounts receivable.

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, accrued expenses and borrowings.

Recognition

The Government 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.

Note 1: Summary of Accounting Policies (continued)

Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received.

The financial assets classified as cash and cash equivalents, accounts receivable, investments – not including those held by Cayman Islands Monetary Authority – are subsequently recorded at historical cost; which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

Cayman Islands Monetary Authority's short-term investments are valued, on a monthly basis at their amortised cost. Long term investments are valued at quoted market value. Unrealised gains or losses are recorded in the Statement of Financial Performance.

Loans made are measured at amortised cost, being the initial amount of the loan less principal payments, less any impairment losses.

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

Off-setting

Financial Assets and financial liabilities are off-set and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise assets and settle the liabilities simultaneously.

Impairment of Financial Assets

The Government assesses at each reporting date whether there is objective evidence that a financial asset is, or a group of financial assets are, impaired. Impairment is deemed to have transpired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not

Note 1: Summary of Accounting Policies (continued)

Impairment of Financial Assets (continued)

yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in Statement of Financial Performance. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or transferred to the Government. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to revenue in the Statement of Financial Performance.

Fair Value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Borrowing Costs

Borrowing costs are capitalised against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalisation ceases when construction of the asset is complete. Further borrowing costs are charged to the Statement of Financial Performance.

Provisions

Provisions are recognised when the Government has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Government expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

Note 1: Summary of Accounting Policies (continued)

Provisions (continued)

The Public Management and Finance Act (2020 Revision), as amended ("the Act" or "PMFA"), requires that the Government maintains a minimum of 90 days cash balance. These cash balances include the General Reserves Funds.

These funds are held in fixed deposits by the Treasury Department.

Reward Points

The Government-owned airline's frequent flyer programme allows frequent travellers to accumulate 'Sir Turtle Rewards' points each time they travel with the airline. These points entitle them to a choice of various awards, including free travel and upgrades. Additionally, the airline sells Reward points to non-airline business partners.

The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value and subsequently recognised as revenue on redemption of the miles by the participants to whom the miles are issued.

The frequent flyer provision in respect of the redemption under this programme is determined using various assumptions concerning the future behaviour of the participants. Those include the following assumptions:

- i) The fair value attributable to the awarded mileage credit has been calculated based on the weighted average fare price across all routes over the last five years; and
- ii) The rate of redemption for the program since its inception.

Revenue received against the issuance of Sir Turtle Rewards points is deferred as a liability and shown as provision on the Statement of Financial Position until the points are redeemed or the passenger is uplifted in the case of flight redemptions. The frequent flyer provision is measured based on managements' estimates of the fair value of the expected awards for which the points will be redeemed. The fair value of the awards is reduced to take into account the proportion of points which are expected to expire.

Environmental Remediation – Landfill

A provision for the estimated cost for the remediation landfill waste sites is made based on the agreed costs per the Early works agreement signed October 2020 between the Government and Dart Consortium ("Dart"). Management has made the decision to accrue for the estimated costs as per the signed agreements to date of these financial statements.

Note 1: Summary of Accounting Policies (continued)

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 require an outflow of resources. Contingent assets are disclosed if it is probable that the obligation will be realised.

The Government introduced the Government Guaranteed Loan Scheme for Medium and Large-Sized businesses (the Scheme) in late 2020 to assist businesses impacted by the measures taken to management and mitigate the spread of COVID-19. The Scheme facilitates loans, through five (5) participating local financial institutions, to qualifying medium and large-sized businesses for the purpose of re-financing debt and meeting operating and capital expenditure obligations.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into as at 31 December.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising the option to cancel are reported at the value of that penalty or exit cost (that is the minimum future payments).

Commitments are classified as:

- Capital commitments: aggregate amount of capital expenditure contracted for but not recognised as paid or provided for at the end of the reporting period,
- Non-cancellable operating leases with lease term of more than one year, and
- Other non-cancellable commitments (these may include consulting contracts and cleaning contracts).

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 were used to translate foreign currency balances:

- Central Government monetary and non-monetary assets held in US Dollars are reported in Cayman Islands dollars using a rate of 0.83 and liabilities are reported in Cayman Islands dollars using 0.8375. Statutory Authorities and Government Companies foreign currency assets and liabilities denominated in US dollars are reported using a fixed rate of exchange existing at the balance sheet date; and

Note 1: Summary of Accounting Policies (continued)

Foreign Currency (continued)

- All other foreign currency monetary and non-monetary items are reported in Cayman Islands dollars using the rate of exchange existing at the balance sheet date.

Comparative Figures

During a regular financial year the financial statements include a prior year comparison of actual amounts with amounts in the current year. Where there is a change in accounting policies or errors and omissions, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Segment Reporting

These financial statements include segment reporting based on the material institutional components and major economic activities within or undertaken by the Government.

The three major institutional components of the Government are:

- *Central Government*: includes the Judicial Administration, Ministries and Portfolios, Office of the Complaints Commissioner, the Office of the Information Commissioner, the Office of the Premier, the Office of Auditor General, the Office of Director of Public Prosecutions and the office of the Ombudsman, it also includes the equity investment in Statutory Authorities and Government Companies.
- *Statutory Authorities*: Includes all entities established by law to carry out specific functions authorised by the law that governs the entity; being funded partly or entirely, by money provided by the Governor in Cabinet, and for which the Governor or the Governor in Cabinet has the power to appoint or dismiss the majority of the Board or other governing body.
- *Government Companies*: Includes companies in which the Government has controlling interest and in respect of each such company, includes all subsidiary entities of the company.

Statutory Authorities and Government Companies are treated as one segment for the purposes of these financial statements.

No disclosure is required of transactions between Ministries, Portfolios, Offices and Statutory Authorities and Government owned Companies acting in the course of their normal dealings.

Note 1: Summary of Accounting Policies (continued)

Related Parties

Related party relationships and transactions are disclosed in accordance with IPSAS 20-Related Party Disclosures.

Related party relationships are relationships where control exists, regardless of whether there have been transactions between the related parties.

Transactions between related parties disclosed include the nature of the relationship, the type of transaction and the elements of the transactions necessary for an understanding of the financial statements.

Customers with whom an entity transacts a significant volume of business are not related merely by virtue of the resulting economic dependence. This exclusion applies to private sector or not-for-profit agencies that are dependent upon government funding.

Related parties for the purposes of the Entire Public Sector include key management personnel such as Ministers and Official Members of Cabinet, Elected Members of the Parliament, Board members, Board Directors and Chief Officers or any other person acting in a capacity of influence in the Government.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, cash in transit, deposits held on call with banks and other short term highly liquid investments net of overdraft.

EPS Actual 2019	Description	EPS Actual 2020
CI\$000		CI\$000
2,967	Cash on Hand	2,410
110,735	Operational Accounts - KYD	141,411
34,281	Operational Accounts - USD	138,903
7	Operational Accounts - GBP	7
16,363	Other Bank Accounts	17,158
194,078	Fixed Deposits (Less than 90 days)	146,079
358,431	Cash and Cash Equivalents (excluding bank overdrafts)	445,968
(1,955)	Less Overdrafts	(4,752)
356,476	Cash and Cash Equivalents	441,216
Held by		
CI\$000		CI\$000
107,508	Central Government	160,032
248,968	Statutory Authorities & Government Companies	281,184
356,476	Cash and Cash Equivalents	441,216

As part of the Governments' cash management strategy funds are classified as restricted and unrestricted and are represented as below:

EPS Actual 2019	Description	EPS Actual 2020
CI\$000		CI\$000
348,626	Unrestricted Cash	432,944
7,850	Restricted Funds	8,272
356,476	Cash and Cash Equivalents	441,216

The use of Central Government restricted funds requires the approval of Cabinet and the Parliament and/or Finance Committee.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Fixed deposits and short-term investments are made for varying periods, depending on the immediate cash requirements and earn interest at the respective short-term deposit rates. Deposits held for over 90 days at the time of placement are classified as investments and are reported in Note 7.

The Federal Reserve call account balance is non-interest bearing; however, the excess balances are invested daily in a repurchase agreement. Interest is calculated on the average daily balance of the foreign investment call account. Overnight repurchase agreements for terms of one business day are acquired through buyback transactions with the US Federal Reserve to earn an overnight interest rate.

Note 3: Trade Receivables

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$'000	CI\$'000		CI\$000	CI\$'000
11,976	11,407	Coercive Revenue Receivable	15,356	15,036
16,104	52,070	Non-Coercive Receivable	17,659	51,198
28,080	63,477	Total Trade Receivables	33,015	66,234
(17,337)	(25,163)	Less: Provision for Doubtful Debts	(19,324)	(37,943)
10,743	38,314	Net Trade Receivables	13,691	28,291

Movement in Provision for Doubtful Debts

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$000	CI\$000		CI\$000	CI\$000
(16,776)	(30,470)	Balance at 1 January	(17,337)	(25,163)
(561)	5,307	Additional provisions made during the year	(1,987)	(12,780)
(17,337)	(25,163)	Provision for Doubtful Debts	(19,324)	(37,943)

Maturity Profile

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$000	CI\$000		CI\$000	CI\$000
10,316	37,887	Trade Receivables due in one year	13,264	27,864
427	427	Trade Receivables due after one year	427	427
10,743	38,314	Total Trade Receivables	13,691	28,291

Note 4: Other Receivables

Core Actual 2019 C\$000	EPS Actual 2019 C\$000	Description	Core Actual 2020 C\$000	EPS Actual 2020 C\$000
3,077	3,209	Advances and Expenditure Reimbursable	4,555	265
1,221	1,221	Dishonoured Cheques	1,021	1,021
-	339	Interest Receivable	-	219
1,736	-	Dividends Receivable	1,471	-
15,563	13,731	Other Receivable	10,008	8,514
21,597	18,500	Total Other Receivables	17,055	10,019
(6)	(201)	Less: provision for Doubtful Debts	(6)	(272)
21,591	18,299	Net Other Receivables	17,049	9,747

Movement in Provision for Doubtful Debts

Core Actual 2019 C\$000	EPS Actual 2019 C\$000	Description	Core Actual 2020 C\$000	EPS Actual 2020 C\$000
(51)	(420)	Balance at 1 January	(6)	(201)
-	-	Additional provisions made during the year	-	(71)
45	219	Receivables written off during the period	-	-
(6)	(201)	Provision for Doubtful Debts	(6)	(272)

Maturity profile

Core Actual 2019 C\$000	EPS Actual 2019 C\$000	Description	Core Actual 2020 C\$000	EPS Actual 2020 C\$000
21,591	18,299	Other Receivables due in one year	17,049	9,747
21,591	18,299	Total Other Receivables	17,049	9,747

Note 5: Inventories

EPS Actual 2019	Description	EPS Actual 2020
CI\$000		CI\$000
390	Raw Materials (including consumable stores)	370
3,350	Inventory held for use in the provision of goods and services	4,228
1,902	Other Inventories for use within one year	2,118
1,233	Water Inventory	224
7,723	Pharmaceutical and Medical Supplies	14,600
2,894	Inventory of Unissued Currency Notes and Coins	2,329
846	Coins awaiting melt-down, Coins for resale and Bullions	846
665	Affordable Houses	463
19,003	Total Inventories	25,178

Managed by:

CI\$000		CI\$000
3,353	Central Government	4,657
15,650	Statutory Authorities & Government Companies	20,521
19,003	Total Inventories	25,178

Maturity Profile

EPS Actual 2019	Description	EPS Actual 2020
CI\$000		CI\$000
19,003	Inventories for use in one year	25,177
19,003	Total Inventories	25,177

No inventory items were pledged as security during the current or prior financial year.

Note 6: Loans Made

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
11,781	Medical Loans	11,810
124	Mortgage Loans	81
74	Home School Association	74
2,606	Loans (due within 12 months)	1,733
19,063	Commercial Loans	19,266
33,648	Total Loans Made	32,964
(14,306)	Less: Provision for Impairment Losses	(13,445)
19,342	Net Loans Made	19,519
Managed by:		
CI\$000		CI\$000
484	Central Government	13,138
18,858	Statutory Authorities & Government Companies	6,381
19,342	Total Net Loans Made	19,519

Movement in Provision for Impairment Losses

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
(16,310)	Balance at 1 January	(14,306)
2,004	Additional provisions made/Write-back of provisions during the year	861
(14,306)	Provision for Impairment Losses	(13,445)

Maturity Profile

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
2,619	Amounts due within 12 months	1,733
16,723	Amounts due after 1 year	17,786
19,342	Total Net Loans Made	19,519

During 2020, the Government made available to the Cayman Islands Airports Authority (the Authority), an interest free loan for an amount not to exceed CI\$20.0 million. The purpose of the loan is to provide financing to the Authority to enable the conclusion of its capital works and to provide ongoing operational funding.

Note 6: Loans Made (continued)

The Authority has arranged a loan from a local Class A licenced bank for an amount of CI\$20.0 million. However, that loan cannot be drawn-down because an EPS Deficit occurred in 2020. As at 31 December 2020 the amount drawn-down totalled \$13.0 million.

Fair Value

The carrying values of loans made are not materially different from their fair values.

Loans made include commercial loans made by the Cayman Islands Development Bank; however, the repayments and disbursement of loans are included in the operating section of the Statement of Cash Flows.

Note 7: Investments

During the year ended 31 December 2020, the Government had investments amounting to \$402.1 million (2019: \$604.1 million).

EPS Actual 2019	Description	EPS Actual 2020
CI\$000		CI\$000
436,744	Marketable Securities and Deposits	332,420
2,793	Interest Receivable	380
439,537	Short-Term Investments	332,800
Long-Term Investments		
EPS Actual 2019	Description	EPS Actual 2020
CI\$000		CI\$000
83,015	Marketable Securities	68,470
591	Caribbean Development Bank	591
240	Cayman First Insurance Limited	240
83,846	Long-Term Investments	69,301
523,383	Total Investments	402,101
Investment Held by:		
417,749	Central Government	301,177
105,634	Statutory Authorities & Government Companies	100,924
523,383	Total Investment	402,101

Short-Term Investments

Short-Term investments are held in the form of US Treasury Bills, AAA Corporate Bonds and US Treasury Notes with maturity dates ranging between 25 February 2021 – 1 November 2021 and Fixed Deposits with maturity dates over 90 days but within 365 days.

Domestic fixed deposits earned interest at rates averaging between 0.35% to 2.15% during the year ended 31 December 2020.

The US Treasury Bills are measured at amortised cost. All other investments are measured at fair value designated upon initial recognition.

Note 7: Investments (continued)

Short-Term Investments (continued)

EPS 2019	Description	EPS 2020
CI\$000		CI\$000
-	US Treasury Notes	13,344
1,794	AAA Corporate bonds	3,643
11,420	US Treasury Bills	8,716
423,530	Fixed Deposits (over 90 days but within 365 days)	306,717
2,793	Interest receivable	380
439,537	Short-Term Investments	332,800

Long-Term Investments

US Treasury Notes and U.S. Government Sponsored Enterprise ("GSE") are stated at market value, with interest rates ranging from 0.125% to 4.25% and maturity dates between 31 December 2021 and 4 June 2026.

There are no investment securities with maturities over ten years (2019: three totalling \$6.9 million). These securities are of the class for which the average life shall be used in place of maturity, under the investment guidelines.

EPS 2019	Description	EPS 2020
CI\$000		CI\$000
74,048	1-5 years	66,442
2,040	6-10 years	2,028
6,927	Over 10 years	-
83,015	Long-Term Investments	68,470

Reserve Fixed Deposits

As part of the Core Governments' cash management strategy those funds classified as marketable securities are classified as restricted and unrestricted. As at 31 December 2020 Core Government held restricted funds of \$171.9 million of which \$160.3 million is included in marketable securities.

Currency Reserve Assets

Marketable Securities and Deposits form part of the Currency Reserve Assets of the Cayman Islands Monetary Authority. These assets are to be used to fund the Authority's currency redemption obligations.

Section 32(8) of the Cayman Islands Monetary Authority Act (2020 Revision) mandates the preservation of Currency Reserve Assets, separately from all other assets of the Cayman

Note 7: Investments (continued)

Currency Reserve Assets (continued)

Islands Monetary Authority. These assets are to be used to fund the Authority's currency redemption obligations and are not to be used to satisfy liabilities arising from any other business of the Authority. After all Demand Liabilities are extinguished, any surplus Currency Reserve Assets would form, in part, the assets of the General Reserve.

In accordance with sections 32(2) and 32(6) of the Monetary Authority Act, the Currency Reserve Assets consist of external assets (not less in value than an amount equivalent to ninety percent of demand liabilities) and local assets (not to exceed ten percent of Demand Liabilities).

As at 31 December 2020, the value of Currency Reserve Assets was \$188.8 million (31 December 2019: \$161.0 million) representing 114.82% (31 December 2019: 114.68%) of total Demand Liabilities. The value of external assets equated to 110.58% (31 December 2019: 109.37%) while the value of local assets as at 31 December 2020 equated to 4.24% (31 December 2019: 5.30%) of Demand Liabilities.

Caribbean Development Bank

The Government holds 533 Authorised Capital Stock and Member Subscription shares in the Caribbean Development Bank; of which 117 shares are paid up shares and the remaining 416 shares are callable shares. The paid-up shares are at a cost of US\$6,321.74 each.

Cayman First Insurance Limited

The Government holds 12% of the shareholdings of the company. These shares were issued in lieu of insurance settlement in August 2005 at a cost of \$240,000.

Note 8: Prepayments

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$000	CI\$000		CI\$000	CI\$000
1,618	1,775	Prepaid Insurance	1,820	2,029
4,782	12,363	Other Prepayments	7,573	18,594
6,400	14,138	Total Prepayments	9,393	20,623

Maturity Profile

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$000	CI\$000		CI\$000	CI\$000
6,400	14,138	Prepayments due in one year	9,393	20,623
6,400	14,138	Total Prepayments	9,393	20,623

Note 9: Biological Assets

EPS Net 2019 CI\$000	Description	EPS Net 2020 CI\$000
	Livestock, at fair values:	
	556 Secondary herd	447
	340 Breeder herd	400
	896 Biological Assets	847
	Held by:	
CI\$000		CI\$000
	- Central Government	-
	896 Statutory Authorities & Government Companies	847
	896 Total Biological Assets	847

The movements in the carrying value of the secondary herd are outlined as follows:

EPS Net 2019 CI\$000	Description	EPS Net 2020 CI\$000
	842 Carrying value at beginning of year	556
	(182) Change attributable to differences in prior years fair values	-
	21 Change attributable to differences in fair values	-
	262 Biological transformation	40
	(387) Sales, at year end fair values	(149)
	(104) Net change in biological assets included in income	(109)
	556 Carrying value at end of year	447

Biological transformation comprises the net effect of births, deaths and other losses, and growth within the secondary herd, measured at period-end fair values. Due to the continuing limitations surrounding the market for the products of the secondary herd, shells are valued at CI\$Nil, (2019: CI\$Nil).

The movements in the net book value of the breeder herd are outlined as follows:

EPS Net 2019 CI\$000	Description	EPS Net 2020 CI\$000
	294 Carrying value at beginning of year	340
	74 Change attributable to differences in prior years fair values	-
	(28) Net (decrease)/increase during the year	60
	340 Carrying value at end of year	400

Net additions during the year are attributable to new breeders added, weight gained during the year, less mortalities. During the year ended 31 December 2020, ten new breeders (2019: Nil) were added to the herd and seven turtles (2019: eight) were transferred to the secondary herd or died. As of 31 December 2020, there was CI\$500,000 insurance coverage associated with the livestock (2019: CI\$500,000).

Note 10: Property, Plant and Equipment

Entire Public Sector
C1'000

Cost of Property, plant & equipment

	Land	Plant and equipment	Buildings	Furniture and Office Equipment	Computer Hardware	Office Equipment	Leasehold Improvements	Other assets	Infrastructure, Roads & Sidewalks	Water reticulation	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction or development	Total Property Plant and Equipment
Balance as at 01 January 2019	730,147	70,835	544,920	17,331	42,584	7,676	7,669	23,544	407,276	120,667	53,738	5,886	37,282	198,162	2,262,117
Additions	9,143	1,492	17,893	1,027	2,734	748	4,832	22,225	571	450	2,932	1,059	2,855	50,900	124,860
Revaluations	-	38	(9)	228	(91)	(1)	(1)	(23,677)	22,073	-	60	-	1,260	747	627
Disposal/ Derecognition	(203)	(1,783)	(6,221)	(379)	(355)	(121)	(27)	(435)	(187)	(728)	(3,365)	(1,120)	(3,875)	(4,304)	(23,003)
Adjustments & Transfers	-	(4,865)	17,616	4,408	(8,884)	238	(4,362)	3,715	(18,488)	(4,291)	6,456	20	9,573	(17,399)	(16,124)
Balance as at 31 December 2019	739,087	71,716	574,200	22,614	35,988	8,540	8,110	25,372	411,485	116,098	59,320	5,845	42,095	228,107	2,348,578

	Land	Plant and equipment	Buildings	Furniture and Office Equipment	Computer Hardware	Office Equipment	Leasehold Improvements	Other assets	Infrastructure	Water reticulation	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction or development	Total
Balance as at 01 January 2020	739,087	71,716	574,200	22,614	35,988	8,540	8,110	25,372	411,485	116,098	59,320	5,845	42,095	228,107	2,348,578
Additions	2,609	10,473	5,870	1,598	4,078	442	1,181	2,293	1,878	65	4,946	31	4,240	81,387	121,091
Revaluations	-	-	45	-	-	-	-	(77)	-	-	(187)	-	-	-	(129)
Disposal/ Derecognition	(119)	(1,038)	(1,702)	(835)	(800)	(146)	(133)	(3,658)	(1,171)	(399)	(786)	(17)	(94)	(3,237)	(14,145)
Adjustments & Transfers	29,101	(6,473)	(4,640)	(5,091)	4,666	(295)	4,035	1,111	1,239	7,572	(884)	-	5,542	(2,058)	33,825
Balance as at 31 December 2020	770,678	74,678	573,773	18,286	43,932	8,541	13,193	25,031	413,431	123,336	62,409	5,859	51,783	304,199	2,489,130

Accumulated Depreciation and Impairment losses

	Land	Plant and equipment	Buildings	Furniture and Office Equipment	Computer Hardware	Office Equipment	Leasehold Improvements	Other assets	Infrastructure, Roads & Sidewalks	Water reticulation	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction or development	Total
Balance as at 01 January 2019	-	48,029	96,394	14,318	30,795	6,270	6,494	15,677	34,587	59,798	40,494	3,350	12,470	-	368,676
Eliminate on Disposal/ Derecognition	-	226	(4,982)	(887)	(450)	(170)	(1,006)	(1,672)	3	(322)	(4,950)	(307)	1,234	-	(13,289)
Adjustments & Transfers	-	366	6,007	453	(12)	233	(463)	5,836	(2,137)	(3,107)	(326)	2	(1,849)	-	5,007
Depreciation Expense	-	3,085	26,673	957	4,190	436	455	3,080	7,020	4,283	4,165	309	3,108	-	57,760
Impairment	-	(149)	(59)	(10)	(5,582)	-	-	(6,202)	-	-	-	-	-	-	(12,002)
Balance as at 31 December 2019	-	51,551	124,034	14,831	28,941	6,769	5,479	16,719	39,473	60,658	39,383	3,353	14,962	-	406,152

	Land	Plant and equipment	Buildings	Furniture and Office Equipment	Computer Hardware	Office Equipment	Leasehold Improvements	Other assets	Infrastructure	Water reticulation	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction or development	Total
Balance as at 01 January 2020	-	51,551	124,034	14,831	28,941	6,769	5,479	16,719	39,473	60,658	39,383	3,353	14,962	-	406,152
Eliminate on Disposal/ Derecognition	-	(852)	(1,737)	(468)	(671)	(130)	(244)	(3,449)	(777)	(59)	(727)	(46)	(2)	-	(9,162)
Adjustments & Transfers	-	(4,237)	(3,773)	(1,241)	2,558	(104)	(87)	641	943	2,804	(1,153)	48	5,429	-	1,833
Depreciation Expense	-	4,000	26,884	1,002	5,023	531	1,054	3,608	7,339	4,344	4,167	329	4,843	-	63,124
Balance as at 31 December 2020	-	50,464	145,347	14,102	35,761	7,040	6,198	17,518	46,976	67,721	41,104	3,667	25,232	-	461,130

Net Book value 31 December 2018	730,147	22,806	448,526	3,013	11,789	1,406	1,175	7,967	372,689	60,869	12,744	2,536	19,812	198,162	1,893,541
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Net Book value 31 December 2019	739,087	20,166	450,166	7,783	7,047	1,770	2,631	8,653	372,012	55,440	19,938	2,492	27,133	228,107	1,942,426
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Net Book value 31 December 2020	770,678	24,214	478,425	4,184	8,171	1,500	6,996	7,513	366,455	55,615	21,306	2,192	26,551	304,199	2,028,000
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Note 10: Property, Plant and Equipment (continued)

Assets under Construction or Development

Below is a summary of major projects under construction or development as at 31 December 2020:

Agency	Description	2020 CI\$000	2019 CI\$000
Ministry of Education, Youth, Sports, Agriculture & Land	NJGHS Construction	40,060	30,860
Cayman Islands Airports Authority	ORIA Expansion Project	122,034	85,044
Ministry of Health, Environment, Culture & Housing	ISWMS & Landfill Improvements	13,447	10,285
Water Authority of the Cayman Islands	Grand Cayman – WBSS – Pipeline Install	810	810
Water Authority of the Cayman Islands	Cayman Brac – Site Preparation	546	546
	Grand Cayman – North Side Water		
Water Authority of the Cayman Islands	Works Site Preparation	207	207
Water Authority of the Cayman Islands	Cayman Brac – Distribution Extension	148	190

Revaluation

Property was revalued as at 30 June 2016 by in-house professionals with the exception of specialized buildings which were contracted to independent evaluators and are stated at revalued amounts less accumulated depreciation. Plant and equipment, are stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is recognised 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.

In accordance with IPSAS 17, when an item of property, plant, and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- (a) Restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount or
- (b) Eliminated against the gross carrying amount of the asset.

Valuation methods

The valuations contained within this report have been prepared in accordance with the aforementioned Standards and the guidance notes provided by the Royal Institution of Chartered Surveyors. Particular regard should be paid to the following definitions and methodology having been adopted in the assessment of value:

Note 10: Property, Plant and Equipment (continued)

Valuation methods (continued)

Fair Value (Market Value) defined in accordance with IFRS 13 Fair Value Measurement as follows: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Fair Value (Existing Use Value) extends the definition of Fair Value (Market Value) in "assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost."

Specialised Assets: specialised assets are those for which no market exists for the current use. Specialised assets are valued using the Depreciated Replacement Cost method (DRC valuation) The definition of 'Depreciated Replacement Cost', as contained in The Standards, is as follows: - "The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation."

Valuation assumptions

Plant and machinery have only been included in the valuation of building assets where these form an integral part of the fabric of the building (e.g. lifts or air conditioning equipment) or where it performs a task crucial to the continuation of the existing use (e.g. swimming pools). Unless specifically stated otherwise, it is assumed that such items are reflected in the unit building cost.

It is assumed that all properties have the required planning consents and certificates for use and construction. Where Fair Value (or land value in a DRC valuation) relies on obtaining an alternative planning consent the alternative use has been derived from consideration of prevailing land uses in the immediate area and Local Planning Policies and practice.

Where an asset has been valued by Depreciated Replacement Cost (DRC) it is subject to the prospect and viability of the asset continuing to be used for the existing use.

These valuations do not take into account any form of selling or purchase costs, tax (including Stamp Duty), inflation or finance costs. In the Cayman Islands there is no tax on property except for Stamp Duty which is ordinarily required to be paid by a purchaser.

Valuations of each 'specialised building' state their total asset value and the (depreciated) value of the respective building. Those with a depreciated building value greater than \$0.5m also state figures for their 'component' parts. Buildings valued by the investment or comparison methods of valuation also state figures for their respective land values. These do not compute to reflect actual building values but indicate the inherent value attributing to the land only.

Note 10: Property, Plant and Equipment (continued)

Valuation assumptions (continued)

Where applicable the remaining economic life of the building / building components has been indicated. This is the period during which the building element is anticipated to have a future useful economic life for its existing purpose.

In preparing the valuations information has been obtained from the following sources:

- Cayman Islands Government 2001 Asset Register
- Cayman Islands Government Land Registry Database
- Caymanlandinfo System (Mapping, aerial photography, evidence of comparable sales and lettings)
- Copies of and extracts from leases
- Architect scaled floor plans
- Ministries and users / occupiers of operational property assets

Land areas (where stated) are provided for guidance only and are quoted from the Land Registers or otherwise from Caymanlandinfo database. Any building floor areas supplied have been obtained from one of the following sources:

- Measurements taken on site
- Measurements extracted from Cayman Islands Government property records

Landfills

Currently the Cayman Islands Government operates waste landfill sites in all three of the Cayman Islands. The approximate cost of \$26.0 million is included in the cost of lands (see [note 18](#)).

Note 11: Intangible Assets

Entire Public Sector
Cf'000

Cost of Intangible Asset

	Computer Software	Other Intangible Assets	Intangible Assets under construction or development	Total
Balance as at 01 January 2019	16,793	50	290	17,133
Additions	2,974	-	565	3,539
Revaluations	5,310	-	-	5,310
Disposal/ Derecognition	(629)	-	-	(629)
Adjustments & Transfers	3,379	-	(842)	2,537
Balance as at 31 December 2019	27,827	50	13	27,890

	Computer Software	Other Intangible Assets	Intangible Assets under construction or development	Total
Balance as at 01 January 2020	27,827	50	13	27,890
Additions	1,538	-	1,190	2,728
Revaluations	-	-	-	-
Disposal/ Derecognition	(5)	-	-	(5)
Adjustments & Transfers	(6,379)	-	(1,189)	(7,568)
Balance as at 31 December 2020	22,981	50	14	23,045

Accumulated Depreciation and impairment losses

	Computer Software	Other Intangible Assets	Intangible Assets under construction or development	Total
Balance as at 01 January 2019	11,895	50	-	11,945
Eliminate on Disposal/Derecognition	(97)	-	-	(97)
Adjustments & Transfers	9,172	-	-	9,172
Depreciation Expense	1,608	-	-	1,608
Impairment	-	-	-	-
Balance as at 31 December 2019	22,578	50	-	22,628

	Computer Software	Other Intangible Assets	Intangible Assets under construction or development	Total
Balance as at 01 January 2020	22,596	50	-	22,646
Eliminate on Disposal/Derecognition	(166)	-	-	(166)
Adjustments & Transfers	(5,979)	-	-	(5,979)
Depreciation Expense	1,645	-	-	1,645
Balance as at 31 December 2020	18,096	50	-	18,146

Net Book value 31 December 2018	4,898	-	290	5,188
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Net Book value 31 December 2019	5,249	-	13	5,262
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Net Book value 31 December 2020	4,885	-	14	4,899
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Note 12: Investment Property

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
Cost		
7,818	Balance as at 1 January	9,150
1,323	Changes in fair value in prior year	-
9	Additions	-
-	Revaluations	(1,850)
9,150	Total Cost	7,300
Accumulated Depreciation		
-	Balance as at 1 January	-
-	Prior period revaluation adjustment to opening balance	-
-	Charge for Year	-
9,150		7,300
Managed by:		
CI\$000		CI\$000
-	Central Government	-
9,150	Statutory Authorities & Government Companies	7,300
9,150	Total Investment Property	7,300

Investment Property consist of retail shops which are leased.

Investment Property is reported under IPSAS 16, using the fair value basis at the end of each reporting period and changes in the fair value is charged to other gains/losses in the Statement of Financial Performance.

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
1,061	Rental income from investment properties	350
819	Direct operating expenses arising from investment property that generated rental revenue during the period	478

Note 13: Trade Payables, Other Payables & Accruals

Core Actual 2019 CI\$000	EPS Actual 2019 CI\$000	Description	Core Actual 2020 CI\$000	EPS Actual 2020 CI\$000
12,537	24,646	Trade Payables	12,741	25,473
2,470	3,030	Payroll Deductions	1,905	2,938
29,388	31,168	Accruals	15,229	14,438
1	1	Trust liabilities	1	1
101	100	Transfers payable	1,910	1,917
1,261	1,261	Interest	1,128	1,128
-	388	Operating Leases	-	-
22,812	-	Core government trade with other public entities	29,703	-
26,772	-	Amounts due to public entities	32,139	-
3,729	3,731	Owing to trusts	3,758	3,763
246	-	Accruals- Equity Injection	1,135	-
3,900	17,153	Other Payables	9,162	16,697
103,217	81,478	Total Trade Payables, Accruals and Other Payables	108,811	66,355

Maturity Profile

Core Actual 2019 CI\$000	EPS Actual 2019 CI\$000	Description	Core Actual 2020 CI\$000	EPS Actual 2020 CI\$000
103,217	80,022	Current	108,764	64,634
-	1,456	Non-current	47	1,721
103,217	81,478	Total Trade Payables, Accruals and Other Payables	108,811	66,355

Trade and other payable are non – interest bearing and are normally settled on 30 days term. Accounts payable includes invoices received from suppliers not yet settled.

Note 14: Unearned Revenue

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
134	Customs Deposits	237
29,533	Immigration Deposits	36,802
6,543	Cayman Airways Deposits	4,085
23,968	General Registry Deposits	40,880
13,629	Lease of Crown Lands	13,484
9,896	Revenue and Other Deposits Held	13,418
83,703	Total Unearned Revenue	108,906

Held by

CI\$000		CI\$000
71,443	Central Government	97,741
12,260	Statutory Authorities & Government Companies	11,165
83,703	Total Unearned Revenue	108,906

Maturity Profile

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
70,082	Current	95,431
13,621	Non-current	13,476
83,703	Total Unearned Revenue	108,906

Note 15: Employee Entitlements

Core Actual 2019 CI\$000	EPS Actual 2019 CI\$000	Description	Core Actual 2020 CI\$000	EPS Actual 2020 CI\$000
5,306	6,309	Annual Leave	6,287	7,404
-	-	Retirement and long service leave	-	-
1,066	1,413	Salary & Wages	864	1,231
2,235	2,958	Other	1,983	2,345
8,607	10,680	Total Employment Entitlement	9,134	10,980

Maturity Profile				
Core Actual 2019 CI\$000	EPS Actual 2019 CI\$000	Description	Core Actual 2020 CI\$000	EPS Actual 2020 CI\$000
8,607	10,680	Current	9,134	10,980
-	-	Non-current	-	-
8,607	10,680	Total Employment Entitlement	9,134	10,980

Annual Leave

Annual leave accrues to employees on a monthly basis, subject to certain conditions and constraints. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave. The provision was calculated based on the leave entitlement due to staff at year end adjusted for the salary scales applicable at the time of leave encashment and realisation of leave by employees.

Note 16: Retirement Benefits

Core Actual 2019 CI\$000	EPS Actual 2019 CI\$000	Description	Core Actual 2020 CI\$000	EPS Actual 2020 CI\$000
409,583	435,016	Pension Liability	496,096	536,961
-	294,703	Post Retirement Health Care Liability	-	369,736
-	82	Other Post Retirement Liability	-	143
409,583	729,801	Total Retirement Benefits	496,096	906,840

from EME

Core Actual 2019 CI\$000	EPS Actual 2019 CI\$000	Description	Core Actual 2020 CI\$000	EPS Actual 2020 CI\$000
19,125	21,473	Current	23,595	25,139
390,458	708,328	Non-current	472,501	881,701
409,583	729,801	Total Retirement Benefits	496,096	906,840

The Government, under the provisions of the Public Service Management Act, is obligated to provide post-retirement benefits to qualified employees in the form of health care and pension. The Government recognises and provides for actuarially determined present value of retirement obligation on an accrual basis, using the Projected Unit Credit method.

Pensions

The Government participates in various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Government has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Government pays fixed contributions into a separate entity. The Government has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Two separate actuarial valuations are carried out on the Government's defined benefit pension plans to allocate the estimated costs to time periods: i) pension accounting valuation for liability fair value presentations, and ii) pension funding valuation.

The funding valuation primarily determines the cash contribution requirements to fund the liability. The accounting valuation, which is required annually, determines amounts to report in the Government's financial statements and has no cash impact.

Note 16: Retirement Benefits (continued)

Pension Liability Fair Value Presentations

The International Public Sector Accounting Standards - IPSAS 25 related to the accounting for Employee Benefits was replaced by IPSAS 39 with effect from 1 January 2018.

The old IPSAS 25 was developed to be aligned with International Accounting Standards - IAS19, but had not been updated to reflect all the changes made to IAS19 since 2008. As a result, it no longer converges with IAS19 as revised June 2011 (IAS19R). Due to the substantive changes required to be made to IPSAS25 to make it align with IAS19R, the IPSASB withdrew IPSAS25 and replaced it with a new standard, IPSAS39, which aligns with IAS19R.

IPSAS 39 – requires that the pension liabilities be revalued annually in order to present the fair value of the fund balances. The Government and Statutory Authorities and Government Companies have employed consultants to perform this annual fair value assessment. The result of the 2020 actuarial valuation is a net liability of \$ 537.0 million (Central Government net liability - \$496.1 million).

A summary of the results recognised in the Statement of Financial Position are shown below:

	2020 CI\$000	2019 CI\$000
Core Government	473,333	392,015
Parliamentarian Pensions	22,935	18,428
Judicial Pensions	(172)	(860)
Central Government Pension Liability Fair Value	496,096	409,583
Statutory Authorities and Government Companies	40,865	25,433
Entire Public Sector Pension Liability Fair Value	536,961	435,016

Note 16: Retirement Benefits (continued)

Pension Liability Fair Value Presentations (continued)

The present value of the benefit obligation changed as follows:

	Public Service Pensions Plan	Parliamentary Pensions Plan	Judiciary Pensions	Total Central Government	Statutory Authorities	Entire Public Sector
	2020	2020	2020	2020	2020	2020
	Ci\$000	Ci\$000	Ci\$000	Ci\$000	Ci\$000	Ci\$000
<i>Change in benefit obligation</i>						
Benefit obligation at beginning of the year	784,352	30,080	6,216	820,648	69,202	889,850
Current service cost	9,477	378	-	9,855	2,284	12,139
Interest expense	24,319	920	191	25,430	2,126	27,556
Plan participant contributions	1,995	34	-	2,029	316	2,345
Remeasurements						
a. Effect of changes in demographic assumptions	(13,272)	(163)	(29)	(13,464)	(2,074)	(15,538)
b. Effect of changes in financial assumptions	131,486	3,838	727	136,051	15,018	151,069
c. Effect of experience adjustments	62,488	2,242	(81)	64,649	3,128	67,777
Benefit payments from plan assets	(27,354)	(2,116)	(343)	(29,813)	(6)	(29,819)
Transfers between Other Participating employers	400	-	-	400	(193)	207
Increase due to plan combinations	3,019	-	-	3,019	-	3,019
Benefit obligation at the year end	976,910	35,213	6,681	1,018,804	89,801	1,108,605

The fair value of the plan assets during the year changed as follows:

<i>Change in plan asset</i>						
Fair Value at beginning of the year	392,337	11,652	7,076	411,065	43,769	454,834
Interest Income	12,312	360	218	12,890	1,371	14,261
Employer contributions	19,512	1,138	-	20,650	1,142	21,792
Plan participant contributions	1,995	34	-	2,029	148	2,177
Benefit payments from plan assets	(27,354)	(2,116)	(343)	(29,813)	(117)	(29,930)
Transfer between Other Participating employers	400	-	-	400	(400)	-
Administrative expenses paid from plan assets	(1,200)	-	-	(1,200)	-	(1,200)
Remeasurement						
a. Expected return on plan Assets	98,952	1,246	921	101,119	4,665	105,784
Other significant events						
a. Increase due to Business Combination/ Divestitures/ Transfers	3,604	(36)	(1,019)	2,549	-	2,549
b. Increase due to plan combinations	3,019	-	-	3,019	(1,642)	1,377
Fair value of plan assets at the year end	503,577	12,278	6,853	522,708	48,936	571,644

Amounts recognised in the statement of financial position

Present value benefit obligation	976,910	35,213	6,681	1,018,804	89,801	1,108,605
Fair Value of plan assets	503,577	12,278	6,853	522,708	48,936	571,644
Net liability/(asset)	473,333	22,935	(172)	496,096	40,865	536,961

Amounts recognised in the Statement of Financial Performance

Current service cost	9,477	378	-	9,855	2,284	12,139
Interest expense on defined benefit obligation	24,319	920	191	25,430	2,126	27,556
Interest income on plan assets	(12,312)	(360)	(218)	(12,890)	(1,371)	(14,261)
Administrative expenses	1,200	-	-	1,200	-	1,200
Total remeasurements	81,750	4,671	(304)	86,117	11,407	97,524
Total defined benefit pension cost recognised in the Statement of Financial Performance	104,434	5,609	(331)	109,712	14,446	124,158

Note 16: Retirement Benefits (continued)

Principal Assumptions

The principal assumptions used in the computation of the actuarial estimate of the pension obligation for the Pension Plans, as at 31 December 2020 are as follows:

	2020	2019
<i>Weighted average assumptions to determine defined benefit obligation</i>		
Discount rate	2.60%	3.50%
Rate of salary increase	2.50%	2.50%
Rate of price inflation	2.00%	2.00%
Rate of pension increases	2.00%	2.00%
<i>Mortality assumption</i>	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2020	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019
Cost Method	Projected Unit Credit	Projected Unit Credit
Asset Valuation Method	Market Value	Market Value
<i>Weighted average assumptions to determine defined benefit cost</i>		
Effective rate for net interest cost	3.15%	4.20%
Effective discount rate for service cost	3.60%	4.55%
Effective rate for interest on service cost	3.40%	4.40%
Rate of salary increase	2.50%	2.50%
Rate of price inflation	2.00%	2.00%
Rate of pension increases	2.00%	2.00%
<i>Mortality assumption</i>	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2019	RP-2014 scaled back to 2006 using Scale MP-2014 then generationally projected from 2006 using Scale MP-2018

Plan Assets

Percentage of plan assets by asset allocation:

	2020	2019
Global Equity Securities	82%	79%
Debt Securities	18%	20%
Cash	0%	1%
Total invested assets	100%	100%

Note 16: Retirement Benefits (continued)

Post-Retirement Healthcare Benefit

In addition to the Past Service Pension Liability, the Government is also obligated to provide for the future healthcare costs of Civil Servants who earned that benefit based on their prior service with the Government.

Previously, Civil Servants who worked for a minimum of 10 years with the Government would be entitled to a healthcare benefit upon retirement. However, the Public Service Management Act now requires that the employee puts in the same 10 years of qualifying service and also retire from the Civil Service in order to obtain such benefits in the future.

The results of healthcare liability actuarial valuation, completed in April 2021, estimated the post-retirement healthcare obligation as at 31 December 2020 to be \$2.4 billion (2019: \$2.3 billion). The post-retirement healthcare obligation and any related expenditure has not been recognised on the Statements of Financial Position and Performance, for Central Government.

Therefore for all intents and purpose, the Government is on a “pay-as-you-go” plan in respect of post-retirement health care liabilities. Currently, no long-term assets are set aside off-balance sheet in respect of the Government’s post-retirement healthcare liability.

There are some Statutory Authorities and Government Companies who have accrued a post-retirement liability as at 31 December 2020 of \$369.7 million (2019: \$294.7 million). The amounts recognised in the balance sheet represent the present value of unfunded obligations, actuarially determined for 31 December 2020.

Other Post Retirement Benefit

In 1997 the Board of Directors of Cayman Turtle Conservation and Education Centre Limited approved a severance pay package entitling employees with over 25 years of service to a cash payment on retirement and payment of their health insurance premiums after retirement for a period to be determined by the Board of Directors. Employees who have attained age 65 and worked for one year or more are also eligible for a severance package of one week of each full year of work completed. There are nine eligible employees at December 31, 2020 (2019: eight) for both of these scenarios combined, and the total liability of the Company in respect of past service benefits for retired employees is approximately \$142.3 thousand (2019: \$82.4 thousand).

Note 17: Borrowing /Public Debt

Description	Opening Balance 1 January 2020	Drawdowns/ Additions		Repayments		Revaluation	Closing Balance 31 December 2020
	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
Core	284,381	-	-	35,826	-	-	248,555
Cayman Islands Development Bank	15,774	-	-	4,076	-	-	11,698
National Housing Development Trust	11,142	-	-	7,591	-	-	3,551
Cayman Airways Limited	18,841	2,857	-	542	-	-	21,156
Total	330,138	2,857	48,035	-	-	-	284,960

Maturity Profile

Core 2019 \$'000	EPS 2019 \$'000		Core Net 2020 \$'000	EPS 2020 \$'000
Local Currency Debt				
-	7,592	Not later than one year	-	820
-	2,683	Between one and two years	-	864
-	866	Between two and five years	-	1,867
-	-	Later than five Years	-	-
-	11,141	Total Local Currency Debt	-	3,551
Foreign Currency Debt (stated in \$CI)				
35,826	44,544	Not later than one year	34,225	40,478
34,224	43,122	Between one and two years	34,225	40,095
88,386	105,386	Between two and five years	84,060	92,869
125,945	125,945	Later than five years	96,045	107,967
284,381	318,997	Total Foreign Currency Debt	248,555	281,409
284,381	330,138	Total Outstanding Debt	248,555	284,960
Local Currency Marketable Securities and Deposits				
147,394	208,441	Not later than one year	94,512	127,838
-	-	Between one and two years	-	-
-	-	Between two and five years	-	-
-	-	Later than five years	-	-
147,394	208,441	Total Local Currency Marketable Securities and Deposits	94,512	127,838
Foreign Currency Marketable Securities and Deposits (stated in CI\$)				
328,573	436,496	Not later than one year	320,574	362,425
-	59,932	Between one and two years	-	54,678
-	-	Between two and five years	-	-
-	8,967	Later than five years	-	2,028
328,573	505,395	Total Foreign Currency Marketable Securities and Deposits	320,574	419,131
475,967	713,836	Less :Total Marketable Securities and Deposits	415,086	546,969
(191,586)	(383,698)	Net Public Debt	(166,531)	(262,009)
Core 2019 \$'000	EPS 2019 \$'000		Core Net 2020 \$'000	EPS 2020 \$'000
35,826	52,136	Current Portion	34,225	41,298
248,555	278,002	Non-current Portion	214,330	243,662
284,381	330,138	Total Debt	248,555	284,960

Note 18: Provisions

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
-	Environmental Remediation – Landfill	25,512
7,462	Provision for health claims incurred but not yet reported	12,524
2,470	Frequent Flyer Programme	2,648
372	Casualty Investigation Fund	445
49	Other Provisions	45
10,353	Total Provisions	41,174

Movement in Provisions

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
12,348	Balance at 1 January	10,353
-	Additional provisions made during the year	30,997
(1,995)	Provisions utilised during the year	(176)
10,353	Provision for Impairment Losses	41,174

Maturity Profile

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
10,353	Current	15,662
-	Non-current	25,512
10,353	Total Provisions	41,174

Environmental Remediation – Landfill

An environmental remediation liability results from the normal operation of a long-lived asset and is associated with the retirement of that asset. The Government currently operates waste landfill sites in all three of the Cayman Islands. On 26 March 2021 the Government signed a Project Agreement to enter into a 25-year contract with Dart Consortium (“Dart”) to design, build, finance, maintain and operate a new integrated solid waste management system. The agreement included terms for remediating the George Town Landfill. An Early works agreement was signed October 2020 with the capping of these landfills proceeding in 2021. The total cost of this project is approximately \$26.0 million, which has been provided in full at the date of the signing of these Financial Statements. See also note 41.

Note 18: Provisions (continued)

Provision for Claims Incurred

Management, through the use of an independent actuary, has estimated a provision for claims which have been incurred but not yet reported (IBNR). While management has estimated IBNR based on all information it has available to it at the time, the ultimate liability may be in excess of, or less than, the amounts provided. Provisions for claims incurred but not reported are estimated using acceptable reserving methods to estimate provisions for claims incurred but not reported; these are periodically reviewed by an independent actuary.

A health claim is payable when an event has occurred that gives rise to a claim payment within the benefits of an insured member's policy while inforce. The lag between the occurrence of a claim and the final payment is normally short term in nature as providers are required by the Health Insurance Act to submit any claims within 180 days of date of service. Thus, any reserve estimates are normally settled within a year.

Frequent Flyer Programme

Other provisions include a provision in respect of the Cayman Airways Ltd frequent flyer programme. This provision is released when points are used or when they become non-redeemable. Points are redeemable for a maximum of three years in the event of non-activity in dormant accounts. The company uses an estimated value of redeemed travel, based on historical average fares, to determine the value attributed on each mile. The provision is included as a liability of \$2,648,419 (2019: \$2,469,600) on the Statement of Financial Position.

Casualty Investigation Fund

The Cayman Islands Government/Maritime Authority of the Cayman Islands (MACI) is party to the International Convention for Safety of Life at Sea (SOLAS) and is obliged to investigate certain marine casualties and publish the report of the findings. The investigations are required by International Maritime Organisation's mandatory "Casualty Investigation Code" (MSC.255 (84)). During the 2015/16 financial year MACI created a sinking fund with the funds from this fund to be designated for carrying out casualty investigation on board Cayman registered vessels.

Note 19: Currency Issued

Currency Issued (or Demand Liabilities) represents the Face value of currency notes and coins in circulation. These liabilities are fully funded by the Currency Reserve Assets of the Cayman Islands Monetary Authority.

EPS Actual	Description	EPS Actual
2019		2020
CI\$000		CI\$000
127,501	Currency notes in circulation	150,953
12,868	Currency coins in circulation	13,473
<u>140,369</u>	Total Demand Liabilities	<u>164,426</u>

The Monetary Authority Act (2020 Revision) mandates that a reserve shall represent at least 15% of Demand Liabilities.

Note 20: Reserves

EPS Actual 2019	Description	EPS Actual 2020
CI\$000		CI\$000
482	Housing Guarantee Reserve Fund	355
57,197	Environmental Protection Fund	58,037
5,193	Infrastructure Development Fund	6,239
2,459	Student Loan Reserve Fund	2,597
7,136	National Disaster Reserve Fund	-
97,848	General Reserve	135,216
375	Currency Issue Reserve	375
10,600	Capital Expenditure Reserve	7,100
346	Restricted Funds and Contingency Reserves	296
636,490	Asset Revaluation Reserve	640,801
818,126	Total Reserves	851,016

Housing Guarantee Reserve Fund

The Housing Guarantee Reserve Fund was created in 1994 to make good any default, which may arise from the government guarantees provided under the Government Guarantee Home Mortgage Scheme (formerly the Low Income Housing Scheme). The guarantee covers between 10 and 35% of the upper layer of loans, in lieu of prospective clients' own down payment, to help low income Caymanians to obtain mortgage financing. The guarantee will be extinguished once this layer is paid. The annual reserve provisions are adjusted at the end of each year to equate to 15% of the aggregate liability outstanding against the actual guarantee.

The Environmental Protection Fund

The Environment Protection Fund was established in 1997 pursuant to section 30 of the Public Finance and Audit Act (1997 Revision). The purpose of the Fund is to ensure that environmental fees collected are segregated from other Government revenue. Disbursements from the Fund will only be made for the purpose of defraying expenditure incurred in protecting and preserving the environment of the Islands.

Infrastructure Development Fund

The Infrastructure Development Fund was created by the Development and Planning (Amendment) Act 1997 with a supplement of Motion (15/97), for the purpose of providing funds for the development of roads and other infrastructure in the Islands.

Student Loan Reserve Fund

The Student Loan Reserve Fund was established in 1999 in accordance with Section 30 of the Public Finance and Audit Act (1997 Revision). Its purpose is to support the Government's guarantee of 100% on student loans administered by the Cayman Islands Development Bank.

Note 20: Reserves (continued)

National Disaster Reserve Fund

The National Disaster Fund was established in 1999 in accordance with section 30 of the Public Finance and Audit Act (1997 Revision). Its purpose is to assist in dealing with and recovering from the events of a national disaster. During 2020 \$7.1 million was taken from the National Disaster Reserve Fund to provide funding for expenses related to COVID-19 mitigation.

General Reserves

General Reserves include the General Funds Reserve for Central Government, General Reserve for the Cayman Islands Monetary Authority, the Utility Regulation and Competition Office and the National Gallery of the Cayman Islands, and Statutory Reserve Funds for the Cayman Islands Development Bank,

General Funds Reserve is an accumulation of Government surpluses which are set aside for the benefit of the Islands. Disbursements from the reserve are approved by the Parliament. The General Reserve Fund as at 31 December 2020 was \$135.2 million (2019: \$98.1 million).

Cayman Islands Monetary Authority maintains a General Reserve in accordance with section 8 of the Monetary Authority Act (2020 Revision), to provide additional funding if necessary for Demand Liabilities and obligations arising from other business of the Authority. In accordance with section 8 of the Act, the General Reserve shall represent at least 15% of Demand Liabilities. As at 31 December 2020, The General Reserve was \$25.6 million (2019: \$21.8 million) equating to 18.22% (2019: 15.6%) of Demand Liabilities.

The Utility Regulation and Competition Act ("URCL") section 38 requires the Utility Regulation and Competition Office ("the Office") to maintain a reserve fund; the management of such fund being at the discretion of the Office. The URCL requires the fund to be applied only for the purposes of the Office.

Under Section 20 of the Cayman Islands Development Bank Act, (2018 Revision), the Cayman Islands Development Bank ("the Bank") is required to establish a reserve. The Bank transfers 20% of its annual net income until the balance reaches the paid-up portion of the authorized capital of the Bank (currently \$28.3 million). There was a transfer of \$48,109 (2019: 65,841) to the Reserve Fund for the year ended 31 December 2020 as the Bank made a net profit of \$240,544 (2019: \$329,203). As of 31 December 2020, the Statutory Reserve Fund has a balance of \$176,923 (2019: \$128,814).

Currency Issue Reserve

The Currency Issue Reserve was adjusted as the stock of notes printed prior to 2003 was all issued into circulation. The Currency Issue Reserve will then remain at \$375,000.

Note 20: Reserves (continued)

Capital and Operational Expenditures Reserves

Capital and Operation Expenditures Reserves include the Capital Funds for the University College of the Cayman Islands and Capital and Operational Expenditures Reserves for the Cayman Islands Monetary Authority.

Capital Funds represents the balance of funds restricted by the Board of Governors to be used for future capital projects of the College.

Under section 9 of the Monetary Authority Act (2020 Revision) the net profits of the Authority for any financial year shall include, but shall not be limited to, the income from the investments of the Authority, and the profit from the sales of investments belonging to the Authority, and shall be determined by the Authority after meeting or providing for all expenditure for that year and making such provisions for contingencies and the establishment of such additional reserves as it may consider desirable. The Capital Expenditures Reserve has been established for the implementation and acquisition of key capital projects. The Operational Expenditures Reserve will fund the operating costs associated with these key projects.

Restricted Funds and Contingency Reserve

The Cayman Islands National Museum restricts funds that are derived from gifts, grants, and contracts received by the Museum for operating purposes but restricted by donors, grantors, and outside agencies as to the specific purpose for which the funds may be expended. As these funds have traditionally not been reimbursable, and the Museum does not consider there to be a legal or constructive obligation to do so, they form a part of the Museum's equity position as reflected on the Statement of Financial Position. Contributions that are restricted for specific purposes by the donor must be used as intended and cannot fund other activities or general operations without the proper consent of the original donor.

At 31 December 2020, the Museum's equity includes a contingency reserve of \$200,000 (2019: \$200,000). The contingency reserve was established by the Board of Control as a precautionary measure to meet the costs of overcoming any future disaster that might befall the Museum. Management intends to increase the contingency reserve to \$250,000 in the 2021 fiscal year. This amount better reflects the potential cash flow that would be required to keep the Museum operational in the event of an unforeseen disaster. The contingency reserve is in the form of fixed deposits included in cash and cash equivalents.

Assets Revaluation Reserves

A revaluation is conducted periodically to reflect the major changes in fair market value of fixed assets. Revaluation increases are credited directly to an equity account, to which any decrease in revaluation will be debited for the same class of assets.

Note 21: Coercive Revenue

Core Actual 2019 C\$000	EPS Actual 2019 C\$000	Description	Core Actual 2020 C\$000	EPS Actual 2020 C\$000
210,886	210,886	Levies on International Trade and Transactions	178,725	178,725
511,027	510,638	Domestic Levies on Goods and Services	460,500	460,447
66,964	66,964	Levies on Property	67,250	67,250
2,942	2,892	Fines	2,644	2,629
3,690	3,690	Other Executive Revenue	32,854	32,855
795,509	795,070	Total Coercive Revenue	741,973	741,906

Coercive revenue types and percentages (%) of earnings during the 12-month period is shown below:

EPS Actual 2020 C\$000	Description	EPS Actual 2020 C\$000	% of Total Coercive %
182,110	Company Registry Fees	178,735	24%
193,076	Import Duties	173,361	23%
100,354	Work Permits & Other Immigration Fees	87,209	12%
64,544	Stamp Duty - Land Transfers	65,591	9%
43,137	Mutual Fund Administrators	44,601	6%
3,299	Proceeds of Liquidated Entities	31,963	4%
28,184	Banks and Trust Licenses	27,479	4%
36,535	Tourist Accommodation Charges	10,282	1%
17,810	Cruise & Environment Tax	5,363	1%
126,021	Other Coercive Revenues	117,322	16%
795,070	Total Coercive Revenue	741,906	100%

Note 22: Sales of Goods and Services

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$'000	CI\$000		CI\$000	CI\$000
32,511	100,869	Fees and Charges	23,191	54,974
5,912	158,198	General Sales	5,160	119,294
1,513	2,949	Rentals	1,217	2,516
2,936	-	Outputs to Other Government Agencies	2,126	-
3,894	49,483	Other Sales of Goods and Services	7,809	42,100
46,766	311,499	Total Sales of Goods and Services	39,503	218,884

A summary of the entity revenues earned during the period ended 31 December 2020 is provided below:

EPS Actual 2019	Description	EPS Actual 2020	% of Total Sales of Goods and Services
CI\$000		CI\$000	%
33,632	Water Sales	32,569	15%
40,218	Health Care Services	31,129	14%
20,361	Port Revenues	19,562	9%
50,385	Airline Revenues	18,027	8%
5,784	Marine Survey Fees	5,266	2%
3,267	Garbage Fees	2,361	1%
4,517	Passenger Charges and Taxes	1,322	1%
153,335	Other Sales of Goods and Services	108,648	50%
311,499	Total Sales of Goods and Services	218,884	100%

Note 23: Investment Revenue

Investment revenue is primarily derived from royalties for the use of the Water Authority sewerage system by entities outside of the Government and interest earned on cash deposits held at the bank and short-term deposits.

Core Actual	EPS Actual		Description	Core Actual	EPS Actual
2019	2019			2020	2020
CI\$000	CI\$000			CI\$000	CI\$000
18,414	23,504		Interest on Cash and Deposits	8,488	11,971
3	1,421		Royalties	1	555
14	1,381		Other	7	1,561
18,431	26,306		Total Investment Revenue	8,496	14,087

Note 24: Donations

During the year ended 31 December 2020, the Government received donations totalling \$4.0 million (2019: \$1.7 million), including \$1.8 million received towards the costs related to COVID-19 mitigation. All obligations relating to these donations have been satisfied and are therefore recognised as revenue.

Core Actual	EPS Actual		Description	Core Actual	EPS Actual
2019	2019			2020	2020
CI\$000	CI\$000			CI\$000	CI\$000
1,237	1,742		Donation Received	3,125	4,008
1,237	1,742		Total Donation Received	3,125	4,008

Note 25: Personnel Costs

Core Actual 2019 CIS\$000	EPS Actual 2019 CIS\$000	Description	Core Actual 2020 CIS\$000	EPS Actual 2020 CIS\$000
240,298	404,395	Salaries, Wages and Allowances	264,563	440,588
47,370	8,314	Health Care	51,550	33,472
8,339	16,574	Pension	14,103	24,038
758	775	Leave	1,204	1,257
9,137	15,486	Defined Benefit Pension Liability	19,821	34,267
-	64,769	Post Retirement Health Care Liability	-	75,418
1,889	7,520	Other Personnel Costs	1,750	5,783
307,791	517,833	Total Personnel Costs	352,991	614,823

As at 31 December 2020 Government total staff complement was 6,819 employees (2019: 6,668 employees):

	2020	2019
Core Government	4,208	4,084
Statutory Authorities & Government Companies	2,611	2,584
Total number of employees	6,819	6,668

Health Care

All Central Government employees participate in the public sector run health care scheme operated by the CINICO and administered via the Health Services Authority. Each employee participates in the family, spouse and child or single person plan. The premium is paid directly to CINICO on behalf of each employee by the Government. Statutory Authorities are allowed to choose other health providers and insurers.

Pension

All pensionable employees (persons below the age of 65) participate in the Public Service pension scheme. The scheme has three plans; the Public Service Pension Plan, the Parliamentary Pension Plan and the Judiciary Pension Plan. The Parliamentary and Judicial Pension Plans are based on defined benefit i.e. the Government bears the risk should the plans fail. The Public Service Pensions Plan has both a defined benefit element as described above and a defined contribution where the participants bear the risk should the plan fail.

Annual Leave Provision

Employees are allowed 7 working days compassionate leave, 10 working days bereavement, and 18-28 working days annual leave based on years of service. Study and other special leave are based on the discretion of the head of the department and the exigencies of the department in question.

All staff leave granted is guided by the Public Service Management Act.

Note 26: Supplies and Consumables

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$000	CI\$000		CI\$000	CI\$000
17,793	71,520	Supplies and Materials	48,711	74,118
66,017	128,386	Purchase of services	54,671	94,575
12,636	26,012	Utilities	11,427	21,330
1,187	6,735	General Insurance	6,593	8,931
2,857	5,173	Travel and Subsistence	898	1,995
2,437	3,969	Recruitment & Training	1,052	2,058
-	-	Interdepartmental expenses	-	-
9,895	54,979	Other	3,323	49,031
112,822	296,774	Total Supplies & Consumables	126,675	252,038

Note 27: Leases

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$000's	CI\$000's			CI\$000's
5,957	12,259	Lease of Sites or Buildings	6,696	13,336
57	302	Lease of Equipment	59	277
5	6	Lease of Vehicles	2	2
6,019	12,567	Total Lease	6,757	13,615

For the year ended 31 December 2020, the Government spent a total of \$13.6 million for leases, which were primarily for sites and buildings including offices and commercial space, storage, residence and museum facilities and land.

Note 28: Depreciation and Amortisation Expense

Core Actual 2019	EPS Actual 2019	Description	Core Actual 2020	EPS Actual 2020
CI\$000's	CI\$000's			CI\$000's
34,997	57,760	Property, Plant, and Equipment	37,641	63,124
985	1,608	Intangible Assets	1,054	1,645
35,982	59,368	Total Depreciation and Amortization	38,695	64,769

Note 29: Outputs from Non-Government Organisations

Non-government organisations (NGOs) involved in civic activities are allowed to access funding from the Government. These groups have to submit yearly applications for continued funding as well as account for past disbursements.

Total purchase of outputs from NGOs during the year ended 31 December 2020 was \$43.4 million (2019: \$50.0 million). The largest category of these payments was for the provision of tertiary care to overseas organisations, which totalled \$32.9 million or 76% (2019: \$35.8 million or 71%) of Outputs from Non-Government Organisations.

EPS Actual 2019 CI\$000	Description	EPS Actual 2020 CI\$000
	30 Organize, Administer and Execute the Cayman Islands Fishing Tournament	15
2,500	Legal Aid Services	2,582
	30 Organization of Batabano Festival	-
	22 HIV/AIDS and First Aid Public Education Programmes	39
230	Management of Small Business Development	130
151	Employee Assistance Programme	189
42	Spaying and Neutering of Dogs and Cats	23
250	Teaching of Tertiary Education Courses	250
125	Miss Cayman Committee	54
1,000	Primary and Secondary Education by Private Schools	500
1,792	Services for Irregular Migrants	1,556
	9 Mentoring Cayman Programme	-
	80 Palliative Care Nursing	80
	50 Social Marketing for Prevention of HIV/AIDS	-
35,762	Tertiary Care at Various Overseas Institutions	32,882
	4 Gardening Projects and Landscaping	-
	40 Elite Athletes Programme	10
199	Youth Development Programmes	5
716	Sports Programmes	108
122	School Lunch and Uniform Programmes	-
1,769	Care of the Indigent, Elderly and Disabled Persons	1,964
118	General Programmes and Children Services	-
225	Foster Care for Children	343
151	Community Programmes	72
2,993	Rental Accommodation for Persons in Need	-
142	Burial Assistance for Indigents	-
325	Support for Battered Women and Children	325
11	Therapeutic Services for Young Persons	1
570	Preservation of Natural Environments and Places of Historic Significance	570
43	K9 Security Services	-
78	Other Sports Programmes	-
30	Other Health and Cultural Programmes	20
-	Meals on Wheels	79
-	Gender Equality Cayman	6
-	Oversight of Legal Practitioners	1,088
79	Cayman Islands Agricultural Society	76
340	Cayman Finance Services	393
50,028	Total Outputs from Non-Government Organisations	43,360

Note 30: Transfer Payments

Transfer payments are the transfer of money from Government to an individual, organisation or another government for which the Government does not:

- (a) Receive any goods or services directly in return as would occur in a purchase/sales transaction;
- (b) Expect to be repaid in the future, as would be expected in a loan; or
- (c) Expect a financial return, as would be expected in an investment.

EPS Actual 2019 CIS\$000	Description	EPS Actual 2020 CIS\$000
734	Tourism Scholarships	750
39	Miss Cayman Scholarships	7
748	Pre-School Educational Assistance	540
11,497	Local and Overseas Scholarships and Bursaries	10,000
8,630	Poor Relief Payments	10,984
1,817	Poor Relief Vouchers	-
6	Temporary Poor Relief for Young Parents Programme (YPP) Students	26
33	Emergency Relief Payments	143
7,669	Ex-Gratia Benefit Payments to Seamen	9,784
904	Benefit Payments to Ex-Servicemen	-
140	Youth Programmes and Other Non-Governmental Organisations	97
52	Pre-School Assistance	-
150	Other Educational and Training Assistance	43
542	Children and Family Services Support	351
70	Support for Services at the Red Cross	70
1,912	Housing Assistance	24
580	Student Enrichment and Support Services	380
75	Support to Local Business Associations	68
456	Sister Islands Home Repairs Assistance	333
964	Sports and Cultural Tourism Programmes Assistance	15,877
100	Support for the Bridge Foundation	155
496	Other Health & Cultural Programme Assistance	978
516	Needs Assessment Support	-
345	Other Youth, Sports and Cultural Programme Assistance	35
-	Sister Islands Beaches and Community Clean Up Programme	640
-	Temporary Financial Assistance	8,419
-	Look After Care Payments	124
-	Youth After Care Payments	107
-	Private and Public School Grants	140
-	Temporary Support to Non-Caymanian Residents - COVID-19	320
-	Education, Agriculture and Land Services - Covid Response and Recovery	2,402
-	Youth and Sports Services - Covid Response and Recovery	1,437
116	Assistance for Infrastructure Development	166
51	Support for Business Initiatives	4,160
691	SEN Scholarships	897
78	Medical Scholarships	137
2	Grants to farmers	103
45	Support to Local Financial Services Associations	9
39,458	Total Transfer Payments	69,706

Note 30: Transfer Payments (continued)

During the year ended 31 December 2020, the Government of the Cayman Islands made transfer payments of \$69.7 million (2019: \$39.5 million). Included in the amount was subsidies paid to displaced tourism workers as a result of COVID-19 pandemic of \$15.9 million (2019: Nil), \$10.0 million (2019: \$11.5 million) in local and overseas education scholarships, \$10.9 million (2019: \$10.4 million) in Poor Relief, \$9.8 million (2019: \$8.6 million) in benefit payments to seamen and ex-servicemen.

Note 31: Other Executive Expenses

Other Executive Expenses are any government expenditures that do not relate to Outputs, Transfer Payments or Financing Expenses. These expenses do not relate to the activity of a particular Ministry, Portfolio or Office but instead relate to the activities of Ministers, Official Members, Members of the Parliament, and the Judiciary.

Also included in other executive expenses are costs of \$14.8 million for mitigation measures to combat the COVID-19 global health pandemic which have not been budgeted in the financial year. These costs include supplies purchased to combat COVID-19 and other social benefits paid out to people directly affected by effects of the mitigation measures implemented.

EPS Actual 2019 CIS\$000	Description	EPS Actual 2020 CIS\$000
60	Universal Postal Union	59
199	Conference Contributions	25
5,199	Doubtful Debt Expenses	9,593
183	Settlement of Case - Entity	153
88	Executive bank Charges	79
-	Debt Write off-Executive Transactions	115
1,352	Judiciary Expenses	1,088
1,046	Constituency Allowance	1,078
48	Contribution to Caribbean Financial Action Task Force	19
160	Caribbean Economic Community (CARICOM) Fees	168
84	Caribbean Regional Technical Assistance Centre (CARTAC) Contribution	84
10	Subscription to Caribbean Examinations Council	10
197	University of the West Indies	544
5	Pan American Health Organisation Subscription	-
821	Caribbean Catastrophe Risk Insurance Facility - Annual Premium	680
1,089	Court of Appeal Expenses	827
6	United Nations Caribbean Environmental Programme	6
125	Commonwealth Parliamentary Association	125
3	World Anti-Doping Agency	4
-	Regional Anti-Doping Organization	9
-	Compensation	34
94	Caribbean Agriculture Research and Development Institute (CARDI)	112
22	Organisation for Economic Co-operation Development (OECD) Global Forum	38
387	New Court House	137
18	Caribbean Public Health Agency (CARPHA)	18
3	Caribbean Energy Information System Membership	-
185	Settlement of Claims - Executive	-
170	Project Future	-
4,155	General Insurance	-
56	Disability Policy	-
21	Older Persons Policy	39
58	Regional Security Initiatives (OE 115)	58
127	CIG Core Christmas Stipend	144
63	Second Chances	196
10	Repairs to Governor's Residence	-
-	CDEMA Membership (OE 125)	79
-	Supplies and Other Items to Combat COVID-19	14,776
-	Public Service Pension Board Administrative Costs	4,559
16,044	Total Other Operational Expenses	34,856

Note 32: Financing Costs

During the 12-month period ending 31 December 2020, the Government incurred financing charges of \$14.2 million (2019: \$24.9 million) in relation to its public debt.

EPS Actual 2019	Description	EPS Actual 2020
Ci\$000		Ci\$000
23,956	Interest on borrowings	11,720
991	Other borrowing costs	2,577
24,947	Total Finance Costs	14,297

Costs attributed to

EPS Actual 2019	Description	EPS Actual 2020
Ci\$000		Ci\$000
22,067	Central Government	13,267
2,880	Statutory Authorities & Government Companies	1,030
24,947	Total Finance Costs	14,297

Note 33: Reconciliation of Surplus to Net Operating Cash Flow

GOVERNMENT OF THE CAYMAN ISLANDS	
RECONCILIATION OF SURPLUS TO OPERATING CASH FLOW	
AS AT 31 DECEMBER 2020	
	Actual 2020 CIS\$000
Surplus/(deficit) from ordinary activities	(123,926)
Non-cash movements	
Depreciation expense	64,769
Losses on non-financial instruments	2,773
Impairment of assets	(210)
Gain on foreign exchange transactions	(3,604)
Increase in provision for bad debt	12,851
Changes in assets and liabilities:	
(Increase)/decrease in receivables	30,241
(Increase)/decrease in inventories	(6,174)
(Increase)/decrease in other current assets	(6,216)
Increase/(decrease) in payables and other accruals	10,095
Increase/(decrease) in other liabilities	29,366
Increase/(decrease) in provisions relating to employee costs	177,421
Net cash flows from operating activities	187,386

Note 34: Explanation of Major Variances to Budget

Statement of Financial Performance

The results show a \$123.9 million Operating Deficit for the EPS; this amount is \$172.0 million less than the budgeted year-to-date Surplus of \$48.1 million.

Revenues

Total Revenues of the EPS were \$983.7 million, which was \$127.9 million less than the year-to-date budget of \$1.11 billion. This negative variance was mainly due to the unfavourable variance (\$41.5 million) in Coercive Revenue and (\$86.4 million) in Sales of Goods and Services primarily as a result of the impact of the COVID-19 mitigation measures on the economy.

Material positive *coercive revenue variances* (with the amount of variance shown in brackets in the below section), were recorded for the following:

- Private Funds Fees (\$5.7 million) –a new revenue stream for the registration of Private Funds, which came into effect with the implementation of the Private Funds Act, 2020; and
- Stamp Duty - Land Transfers (\$20.6 million) – there continues to be higher than expected volume of property transactions coupled with high property values.

The revenue items recording significant negative year-to-date revenue variances (with the amount of variance shown in brackets in the below section), primarily as result of the closure of the borders due to the mitigation of the COVID-19 pandemic. These revenue items included:

- Cruise Ship Departure Charges (\$8.2 million);
- Environmental Protection Fund Fees (\$4.1 million);
- Gasoline and Diesel Duty (\$6.2 million);
- Motor Vehicle Duty (\$4.4 million);
- Other Import Duty (\$13.9 million);
- Tourist Accommodation Charges (\$25.7 million); and
- Work Permit Fees (\$7.5 million).

Sale of Goods and Services earned \$218.9 million, which was \$86.4 million or 28% less than the budget of \$305.3 million. The underperformance was mainly due to a 54% decline in Fees and Charges, which was directly related to the impact of COVID-19 mitigation measures which restricted movement and access to non-essential services.

Note 34: Explanation of Major Variances to Budget (continued)

Investment Revenue earned \$14.1 million, which was \$1.8 million above anticipated results. Total Cash and Deposits balances are significantly higher (approximately \$154.6 million) than anticipated in the 2020 Plan & Estimates document, and have afforded greater values being placed on fixed deposits.

Donations received were \$4.0 million, which were \$2.9 million above its projected amount to 31 December 2020. These include donations of \$1.8 million (US\$2.2 million from a private donor) towards the costs related to COVID-19 mitigation.

Other Revenues earned of \$4.8 million (48% less than budget) included sales of supplies and other items to other jurisdictions in the region to combat COVID-19 and to other local healthcare facilities of \$1.7 million and revenue from the "Air Bridges" from the United Kingdom of \$2.5 million.

Expenses

Total Operating Expenses of the EPS were \$1.11 billion; this amount was \$46.3 million more than the budget of \$1.06 billion.

Outputs from Non-Governmental Output Suppliers of \$43.4 million were \$12.2 million more than budgeted. The variance is mainly due to "NGS 55 Tertiary Care at Local and Overseas Institutions" being \$13.1 million above the 2020 full year's budget.

Transfer Payments of \$69.7 million were \$24.8 million more than budgeted for 2020. This variance is mainly due to the overages in spending on Sports and Cultural Tourism Programmes Assistance (\$15.3 million negative variance), Support for Business Initiatives (\$4.1 million negative variance), Temporary Financial Assistance (\$4.2 million negative variance), Education, Agriculture and Land Services - COVID Response and Recovery (\$2.4 million negative variance), and Youth and Sports Services -COVID Response and Recovery (\$1.4 million negative variance). These negative variances were offset partially by savings from unspent Assistance for Infrastructure Development of \$1.8 million.

Other Operating Expenses of \$34.9 million were \$23.5 million more than budgeted. These expenses included \$14.8 million of costs incurred for Supplies and other items to combat COVID-19 which were unbudgeted. Also, for the first time ever costs incurred for the administration of the Public Service Pension Board \$4.6 million has been included in the EPS consolidated expenditures.

Note 34: Explanation of Major Variances to Budget (continued)

Statement of Financial Position

As at 31 December 2020 net assets of \$1.4 billion were \$117.4 million less than the expected net assets of \$1.5 billion.

Assets

Total EPS assets as at 31 December 2020 were \$2.97 billion, 2% higher than the anticipated balance of \$2.92 billion. While the growth over budget is mainly attributable to investments as marketable securities this was offset by decline in the expected property, plant and equipment held at the year end.

Cash and cash equivalents were \$53.3 million more than the budgeted cash balance of \$392.6 million. This is due to there being significantly higher cash balances than anticipated which allowed for higher values being placed on fixed deposits. In addition, due to these higher cash balances the Government placed higher values on longer-term deposits. These longer-term deposits are not included in the definition "Cash and Cash Equivalents", which only represent deposits that are less than 90 days to maturity.

Investments were \$172.4 million more than the budgeted balance owing to higher values being placed on longer-term fixed deposits driven by higher interest rates.

Inventories of \$25.2 million were \$10.8 million more than budgeted as a result of significant purchases being made for the management of the COVID-19 pandemic. These were purchased in larger quantities owing to the need to hold more stock in inventory due to global shortages, and to secure shipments.

Trade receivables were net \$14.4 million less than the budgeted balance owing to declined business as a direct result of the effect of the COVID-19 pandemic and increased provisions for doubtful debts.

Property, plant and equipment were \$140.3 million less than the projected budget of \$2.17 billion, mainly due to delays in projects being completed or started because of the COVID-19 mitigating measures that impacted the construction industry.

Intangible Assets were \$13.7 million less than budgeted expectation, mainly due to a number of planned projects being deferred to 2021 as a result of the COVID-19 pandemic.

Note 34: Explanation of Major Variances to Budget (continued)

Liabilities

Total EPS liabilities as at 31 December 2020 of \$1.56 billion were 12% higher than the anticipated balance of \$1.40 billion; which was mainly due to the increase in the post-retirement benefits being more than projected value.

Other liability balances, inclusive of Trade and Other Payables & Accruals and Provisions as at 31 December 2020 were net \$51.1 million less than budgeted expectations due significantly to the slowdown in the economic activities, delayed projects and the effect on materials acquisition and faster turnaround of payments such as claims.

Unearned Revenues were \$30.2 million more than budgeted due to business fees being paid before the January deadline, and also significant balances related to work permit fees.

Total Retirement Benefits liability were \$160.8 million more than budgeted \$746.1 million due to the recognition of the 2020 pension actuarial valuation and the SAGCs post-retirement health care liability based on the 2020 actuarial valuation.

Debt Balance which stood at \$285.0 million as at 31 December were \$8.7 million less than budgeted. Only \$2.9 million in additional loans were drawn down during the year against an expected increase in borrowings of \$11.6 million. The debt balance continues to decline as scheduled principal repayments are made.

Currency issued were \$30.1 million more than the budget of \$134.3 million due to there being increased amounts of notes and coins in circulation. This has resulted in a corresponding increase in related Currency Investment reserves.

Note 35: Commitments

Type	One Year or Less CI\$000	One to Five Years CI\$000	Over Five Years CI\$000	31 December 2020 CI\$000	31 December 2019 CI\$000
Capital Commitments					
John Gray High School	44,833	18,042	-	62,875	-
Airport runway development	-	-	-	-	40,406
Landfill	22,400	4,471	-	26,871	22,400
Long term residential mental health facility	9,465	6,825	-	16,290	10,165
Other property, plant and equipment	12,933	5,000	-	17,933	18,006
Total Capital Commitments	88,467	34,338	-	122,805	90,977
Operating Commitments					
Non-Cancellable Accommodation Leases					
Accommodation leases	9,427	14,420	2,580	26,427	17,190
Other Non-Cancellable Leases					
Land Lease	-	-	-	-	123
Premises Lease	19	-	-	19	407
Aircraft Leases	5,509	25,530	5,490	36,529	50,016
Licensing Agreement	-	-	-	-	-
Other Operating Lease	1,156	1,534	-	2,690	832
Other Operating Commitments					
Other Operating Commitments	1,512	5,540	-	7,052	2,307
Total Operating Commitments	17,623	47,024	8,070	72,717	70,043
Total Commitments	106,091	81,361	8,070	195,522	161,020

Capital Commitments

The largest capital commitments are held by the Ministry of Education, Youth, Sports, Agriculture and Lands and the Ministry of Health, Environment, Culture and Housing.

Operating Commitments

Operating commitments relate to leases held by several SAGCs. The Aircraft leases are held by Cayman Airways Limited, which has entered into lease agreements in connection with the leasing of aircraft. Pursuant to the lease agreements, the Cayman Airways Limited advanced a number of refundable security deposits to a total value of \$3.6 million (2019: \$3.5 million) for the term of the lease. These deposits are refundable at the end of the lease term. Lease payments are due monthly in advance, and all balances overdue are subject to an interest charges. There are no balances overdue as at 31 December 2020 (2019: \$Nil). Effective 30 June 2016 the Company entered into various new lease arrangements in relation to multiple Boeing 737-8Max aircrafts. At 31 December 2020 the Company remained committed to two aircraft leases, which had not commenced. The total future cash outflows for leases that had not yet commenced amounted to approximately \$21.9 million. As at 31 December 2020 the Company fleet included two (2019: two) leased Boeing 737-8Max aircrafts, which were grounded due to the Federal Aviation Administration grounding of all Boeing 737-8MAX aircrafts. Subsequent to the grounding, management reached an

Note 35: Commitments (continued)

Operating Commitments (continued)

agreement with the lessor to receive funding sufficient to completely cover all rental costs related to the aircrafts for the remaining duration of the grounding. Management continues to closely monitor all developments with the 737-8Max aircraft. Under the terms of the lease agreements, the Government has issued guarantees of \$Nil (2019: \$Nil) to the lessor in respect of lease obligations relating to aircraft.

Other operating commitments are mainly held by the Ministry of Education, Youth, Sports, Agriculture and Lands.

Note 36: Contingent Liabilities

Legal Proceedings and Disputes

In relation to legal matters, estimates are developed by the Office of the Attorney General who is charged under the Constitution with the handling of the defence in these matters, using the current facts and known circumstances. The factors considered in developing the legal provisions include the merits and jurisdiction of the litigation, the nature and number of other similar current and past litigation cases, the nature of the subject matter of the litigation, the likelihood of settlement and current state of settlement discussions, if any.

The Government is routinely engaged in litigation arising in the ordinary course of its business. It does not believe that any such litigation will individually or in aggregate, have a material adverse financial effect on the Government. It is Government's policy to rigorously assert its position in such cases. Should the Government be unsuccessful in these matters, it does not expect the outcome to materially affect the results of operations or financial position. As at 31 December 2020, the Government has estimated contingent liabilities of \$12.4 million (2019: \$3.5 million) with respect to Civil/Quasi Civil Matters.

In addition to the above there were proceedings involving a number of Statutory Authorities and Government Companies as detailed below.

Health Services Authority

Contingent Legal Claims

The Health Services Authority believes that the outflow of funds for the malpractice and employee related legal claims amounting to \$825,000 and nil (2018: \$910,000 and nil), respectively are less than probable to be successful and are covered by insurance in excess of deductible; accordingly, no provisions were recognised for possible losses.

There are a number of claims outstanding that relate to services provided prior to the establishment of the Health Services Authority or prior to 1 July 2002. Neither provision nor contingent liability has been made for these claims in the financial statements, as the Health Authority believes any costs encountered [that are not covered by insurance] will be met by the Ministry of Health, Environment, Culture & Housing.

Note 36: Contingent Liabilities (continued)

Port Authority of the Cayman Islands

The Port Authority signed a contract for the development of the CDC yard in 2019. As at 31 December 2020, \$400,000 remained on the contract for which the Port Authority has not been invoiced.

In January 2021, correspondence was received from an attorney representing a member of staff who was dismissed. The letter alleged that the dismissal was unfair and / or wrongful. Port Authority instructed its attorneys to respond indicating the general basis upon which the decision was made. At the date of this report no further communication was received from the attorney on this matter.

Section 47 of The Public Authorities Law (PAL) came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by the Cayman Islands' Cabinet and requires the remuneration of employees of a public authority to be adjusted to reduce any differences between public authorities' and public service's pay grades.

As at the date of these accounts, there was no further development on the aforementioned legal matters and management expects no loss arising from any potential action.

National Housing Development Trust

There was a legal action against the Trust by the Security Centre Limited in the amount \$12,000 for breach of contract for work performed in August, 2005. The case is currently inactive.

Note 36: Contingent Liabilities (continued)

Guarantees

Statutory Authorities and Government Companies

In accordance with section 50 of the Financial Regulations, Government is expected to calculate the portion of the guaranteed debt of Statutory Authorities and Government Companies. This represents at minimum, the Government's immediate level of exposure and as such is disclosed as a contingent liability.

Guarantees of the Government include:

- Guarantees of the borrowings of Statutory Authorities and Government Companies;
- Guarantees, either collective or specific, of the loans of certain individuals and companies obtained from the private sector; and

Under the PMFA, entities that;

- (a) Require an unpredictable level of budgetary support from the Governor in Cabinet are given an 80% weighting;
- (b) Are financially stable and require predictable levels of support are given a 50% weighting; and
- (c) Have not required budgetary support during the last three (3) years are given 20% weighting.

Description	Weighting Applied	Guaranteed Balance as at 31 December 2020	Loan Balance as at 31 December 2020
		CI\$'000	CI\$'000
Cayman Airways Limited	80%	16,925	21,156
Cayman Islands Development Bank	50%	5,849	11,698
National Housing Development Trust	80%	2,841	3,551
		25,615	36,405

Note 36: Contingent Liabilities (continued)

Government Guaranteed Home Assistance Mortgage (GGHAM) Program

The Government Guaranteed Home Assisted Mortgage Program (GGHAM) that is administered by the National Housing Development Trust was introduced November 2007 and to date has helped 325 households achieve home ownership.

The initial 5-year GGHAM agreement provided approval for \$5.0 million to each of the six participating banks. Due to the high demand for this program, some participating banks reached the maximum lending amounts, which required additional funding. Central Government approved additional funding for this program, through a supplementary agreement to the participating banks.

The current GGHAM approved amount is \$65.0 million; however, this agreement expired on November 2012. The GGHAM drawn balance is currently \$17.3 million of total approved mortgages which on face value indicates that Central Government is committed to a contingent liability of 35% which equates to \$6.1 million. A Housing Guarantee Reserve is established at 15% of the exposure outstanding, which is adjusted at the end of each financial year. As at 31 December 2020 the reserve balance was adjusted to \$294,815 (2019: \$380,235).

As at 31 December 2020, for the life of the program, 4 local banks have called in the guarantees of 23 GGHAM loans totalling \$877,151 (2019: \$877,151). The claims are at various stages of the claims process ranging from discussions with the banks to awaiting approval for payment. These amounts include interest and other related costs and have been included as an amount payable as at 31 December 2020. Based on the delinquency as at 31 December 2020 a provision of \$1,240,212 (2019: \$1,367,983) has been made for potential claims.

Government Guaranteed Loan Programme (GLP) for medium (MSBs) and Large Size Businesses (LSBs)

Due to the COVID-19 mitigation efforts mandated by the Government in March 2020 which resulted in an immediate and severe reduction in economic activity within the Cayman Islands, on 7 December 2020 the Government entered into an agreement with five participating local banks to guarantee a loan program to offer and provide new credit facilities (NCFs) to qualifying MSBs and LSBs that are under financial duress for the purpose of providing critical working capital, critical capital expenditures and loan restructuring necessary for the economic viability of the eligible borrowers.

Note 36: Contingent Liabilities (continued)

Government GLP for MSBs and LSBs (continued)

The amounts guaranteed by the Government equal 50% of the aggregate of the outstanding principal, unpaid interest and other NCF costs of the eligible borrowers, provided that at no time shall the guaranteed amount exceed \$375,000 for a MSB and \$1,500,000 for a LSB.

Eligible borrowers need to be approved by the respective five local banks under the GLP no later than 30 November 2021 at which time the GLP shall come to an end. The period of repayment for a NCF shall not exceed seven years from the date of execution of the loan.

The Government and the participating banks have agreed that \$200 million shall be the maximum aggregate principal amount made available to eligible borrowers under the GLP.

As at 31 December 2020 the amounts advanced as NCFs by the participating banks under the GLP amounted to \$Nil.

Other Contingent Liabilities

Pursuant to the agreement with a local bank, Cayman Airways Limited must comply with certain covenants, namely ensuring that all scheduled repayments are current and the provision of audited financial statements and other financial data of both the Company and the Government (as guarantor). In the event of default, the local bank may, by written notice to the Company, declare all borrowings under the agreements to be immediately due and payable. At 31 December 2018 the local banks provided waivers of such covenants to the Company.

Letters of Credit

A local bank has issued a number of letters of credit on behalf of Cayman Airways Limited in the amount of US\$1,085,221 (2019: US\$1,085,221). These are used as collateral for United States Customs bonds and credit account support. The letters of credit bear interest at a rate of 1% per annum.

Note 37: Financial Risk Management

Credit Risk

Credit and counterparty risk are the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation or commitment.

Core Government

Financial instruments potentially expose the government to credit risk. Concentrations of credit risk relate to groups of customers or counter-parties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Core Government entities are only allowed to conduct business with reputable financial institutions as part of the centralised banking system.

The Core Government primary banker continues to be RBC Royal Bank (Cayman) Limited which is considered to be stable and one of the top tier banking institutions.

The Government generally operates a no credit policy however, where credit is allowed such customers have to be pre-approved and are required to place assessed deposits with the Government from which such credit is being requested. Sales to retail customers are settled in cash or credit cards.

For trade customers, the Government performs adequate due diligence (including, but not limited to, independent credit ratings, assessment of credit quality, considering its financial position, past experience and other factors) on the stability of the customer and their repayment capabilities prior to extending credit.

Cayman Islands Development Bank

The Bank manages credit risks on loans advanced to individuals and companies, which satisfies the Bank's lending requirements, by requiring borrowers to provide adequate security, limiting the total value of loans to a single borrower to 10% of its total capital and spreading its risk over several developmental sectors.

Health Services Authority

To reduce exposure to credit risk, the Health Authority performs ongoing credit evaluations of the financial condition of its customers but generally does not require collateral. Parties who default on their obligations despite repetitive collection efforts are referred to a collection agency or to legal counsel. The Health Authority is exposed to credit-related losses in the event of non-performance by counter parties to these financial instruments.

Note 37: Financial Risk Management (continued)

Health Services Authority (continued)

Accounts receivable consist of a large number of customers who would either have health insurance coverage with CINICO or with various commercial insurance companies, or no insurance coverage at all. Concentration of credit risk belongs to the group of customers known as “self-pay”. These amounts are owed by customers who have neither insurance coverage nor sufficient coverage. These are estimated to be 40% - 100% (31 December 2019: 40%-100%) uncollectible.

Accounts receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: Age, balance outstanding, inability to contact debtor, means of debtor to make repayment, existence of a repayment plan or promissory note.

Utility Regulation and Competition Office

The Utility Regulation and Competition Office is exposed to credit risk primarily from its receivables from licensees, and from its various deposits in its bank. The Office does not have the flexibility in refusing to transact with licensees in accordance with the laws. At year-end, the Office evaluates the financial capability of its licensees to determine any issues with collectability that can result in a financial loss. The Office also continues to monitor the financial soundness of its banking institution, and currently believes that there are no issues impacting the bank’s ability to repay amounts in accordance with the respective terms of various deposits. The Office’s accounts receivable balance does not have any significant credit risk exposure to any single licensee, but is inherently exposed in its entirety to the telecommunications industry in the Cayman Islands. The Office’s licensees include well-established local telecommunication and media companies and, at 31 December 2020, there have been no indications of any insolvency in those entities that impacts their ability to pay the Office. On the other hand, the Office’s deposits are concentrated in a single accredited banking institution based locally.

Civil Aviation Authority

Financial assets that potentially subject the Authority to credit risk consist principally of bank current accounts, fixed deposits, trade and other receivables. The Authority’s fixed deposits are placed with accredited financial institutions and due diligence conducted on clients before they are accepted on the register. Local credit clients are sufficiently regulated. The Authority is responsible for managing and analysing the credit risk for each of their new customers before standard payment terms and conditions are offered. The Authority’s clients with the largest outstanding balances as at 31 December 2020 are

Note 37: Financial Risk Management (continued)

Civil Aviation Authority (continued)

National Air Services (NAS) with approximately 17% (2019: 10%) of total outstanding balances, Cayman Airways 7% (2019: 5%) and Cayman Islands Airports Authority (CIAA) 0% (2019: 14%) and are considered significant concentrations of credit risk. The Cayman Islands Government accounts are considered medium exposure risks due to possible CIG policy changes when new governments are elected.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities coupled with the ability to predict and manage the expected cash outflows in order to sustain the operations of the government.

Government currently monitors rolling cash forecasts, other current assets and the liabilities of government departments on the basis of expected cash requirements and matching the maturity profiles of financial assets and liabilities.

Insurance Risk

The risk under insurance contracts is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The very nature of an insurance contract involves randomness and therefore unpredictability.

Cayman Islands National Insurance Company

The principal risk that the Cayman Islands National Insurance Company (CINICO or the Company) faces is that the actual claim payments exceed the amount of insurance provisions. This could occur for various reasons; for example, the severity and/or frequency of claims may be higher than anticipated, or unit claim costs could be higher than estimated. Any significant delays in the reporting of claims information from service providers will also lead to increased uncertainty. Claim losses are random and the actual number and amount of claims will vary from year to year, from the level established using statistical and actuarial techniques.

CINICO uses several techniques to mitigate risk surrounding potential high claim losses. For its largest group (Group 30100 - Civil, Servants, Pensioners and Government Entities), reinsurance has been purchased that covers overseas claim losses which exceed US\$550,000, up to US\$5,000,000 in respect of any one covered person during the policy year, with an aggregate cap of US\$10,500,000 per year. The Company's Standard Health Insurance Contracts ("SHIC" plans) use a combination of pre-existing condition exclusions,

Note 37: Financial Risk Management (continued)

Cayman Islands National Insurance Company (continued)

and annual limits to mitigate risk. The Company uses United Healthcare for the provision of overseas network access. These entities have pre-negotiated contracts with many overseas providers which would allow the Company to realise significant savings. During the current fiscal year on a monthly basis, the Risk and Appeals Committee met to discuss large claims and any disputed claims.

The Company uses reinsurance to manage insurance risk. However, this does not discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment of the claim. As part of the reinsurance renewal, the Company reviews the creditworthiness of the reinsurer prior to finalisation of any contract, and has chosen a reinsurer with an AM Best rating of A (Excellent).

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest will affect future cash flows or the fair values of financial instruments.

Core Government

The carrying amount of call accounts, fixed deposit accounts, interest receivable and other liabilities approximated their fair value due to the short-term maturities of these assets and liabilities. The fair values of assets and liabilities are not materially different from the carrying amounts. Readily available market information enables the determination of fair values.

Cayman Islands Development Bank

Cayman Islands Development Bank (CIDB or the Bank) provides loans and technical assistance in the areas of human resource development, housing and small business, in particular in the agricultural, tourism, and industrial sectors. The Bank minimises interest rate risk principally by on-lending at variable rates of interest from funding provided by long-term loans with variable interest rates.

The Bank manages the interest rate risk by securing funds from international financial institutions which review their lending rates to CIDB quarterly.

Cayman Airways Ltd

The Company has an overdraft facility and long-term debt which are priced at a floating rate of interest, which is reset monthly as market rate changes. The Company is exposed to cash flow interest rate risk should market rates change. Management does not consider the Company is exposed to interest rate risk on cash at bank, since this cash is held on call.

Note 37: Financial Risk Management (continued)

Health Services Authority

The Health Services Authority is exposed to interest rate risk for the \$4 million credit facility with CIBC First Caribbean International Bank (Cayman) Ltd ("CIBC") at a prime rate plus 0.25% per annum. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Health Authority by maintaining a short-term credit agreement that is renewable every year to have a negotiable and preferred rate. In addition, the Health Services Authority is limiting the usage of the credit facility by continuously monitoring the daily cash position which management views as likely to result into a bank preferred interest rate on the renewal of the agreement. The Health Authority has a minimal exposure on interest rate risk as no other financial instruments are exposed to this type of risk.

Port Authority

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Port Authority holds long-term debts and cash and cash equivalents that are interest bearing and as a result the Port Authority is subject to risk due to fluctuations in the prevailing levels of market interest rates in relation to these financial instruments.

Commodity Price Risk

The Government's fuel requirements expose it to the market volatility of fuel prices for jet fuel, gas and diesel. Cayman Airways Limited (CAL) is subject to jet fuel price risk resulting from its aviation activities as the national air carrier of the Cayman Islands. The volatility of jet fuel prices has been significant in recent years and can have a significant effect on the profitability of CAL's operations. Similarly, the Department of Vehicle and Equipment Services is charged with purchasing and supplying all government vehicles (land and marine craft) with fuel.

The Government does not engage in any hedging activities with respect to mitigating the risk of fluctuations in fuel prices and instead, purchases fuel at the daily spot rate as the demand exists, consequently, there is significant exposure to fluctuations in the price of fuel.

Currency Risk

As substantially all transactions are denominated in Cayman Islands dollars, the Government is not significantly exposed to currency risk due to the Cayman Islands dollar being fixed to the United States dollar. The nature of the Government's exposure to currency risk has not changed significantly from the prior year.

Note 38: Fair Value Estimation

The carrying value of cash and cash equivalents, accounts receivable (net of provisions), 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.

Borrowings

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Financial liabilities are subsequently measured at amortised cost.

Majority of long-term debt are at a fixed rate of interest, however, the fair value of long-term debt which is at a floating rate of interest approximates the carrying value as in the opinion of management the current rate approximates the interest rate which the Government expects similar financing for similar term to be raised at, at the balance sheet dates, and additionally, the rate is reset in response to market changes.

Included in current and long-term debt balances are certain non-interest bearing loans. The carrying amount of these loans represents the principal balance owing. The anticipated future principal repayments have not been discounted. All other loans are floating rate and bear interest at the market rate. The carrying value of these loans approximates the fair market value.

The cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.

Fair value hierarchy

The Government uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices)

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Note 39: Related Parties

The Government is comprised of 17 Ministries, Portfolios and Offices and 24 Statutory Authorities and Government Agencies. While inter-agency charges between central governments agencies have been suspended generally these entities and their key management personnel, transact business amongst them and with the Government reporting entity on a regular basis. Transactions between Ministries, Portfolios, Offices and Statutory Authorities and Government Agencies include health care, purchasing airline tickets, audit services, water, sewage and registration of vehicles. The PMFA, as amended, requires that each Ministry, Portfolio, Office and Statutory Authority and Government Company report their financial activities separately and submit them for auditing both at the entity and executive level including the disclosure of all transactions with the Central Government and other related parties as appropriate in these individual financial statements.

With the exception of key senior management personnel, no other parties control the Government. Key management personnel include Cabinet Ministers, Chief Executive Officers, Chief Officers, Chief Financial Officers, and deputies, and for the purposes of these financial statements are considered related parties.

Compensation of Key Management Personnel

Total remuneration includes regular salary, pension contribution, health insurance contribution, allowances, bonuses and termination benefits.

Loans given to key management personnel includes mortgage, debt consolidation at average interest rate of 4.75%.

Note 40: Segment Reporting

GOVERNMENT OF THE CAYMAN ISLANDS					
STATEMENT OF FINANCIAL POSITION					
AS AT 31 DECEMBER 2020					
	Note	Central Government C\$000	Statutory Authorities & Government Companies C\$000	Inter- government trade C\$000	EPS Actual 2020 C\$000
Current Assets					
Cash and Cash Equivalents	2	160,032	285,936	-	445,968
Trade Receivables	3	13,264	50,435	35,835	27,864
Other Receivables	4	15,578	10,328	16,159	9,747
Dividends Receivable	4	1,471	-	1,471	-
Inventories	5	4,657	20,528	8	25,177
Loans Made	6	13,138	1,595	13,000	1,733
Investments	7	300,346	64,469	32,015	332,800
Prepayments	8	9,393	11,336	106	20,623
Biological Assets	9	-	847	-	847
Total Current Assets		517,879	445,474	98,594	864,759
Non-Current Assets					
Trade Receivables	3	427	-	-	427
Loans Made	6	-	17,785	-	17,785
Property, Plant and Equipment	10	1,519,986	508,014	-	2,028,000
Intangible Assets	11	2,814	2,085	-	4,899
Investment Property	12	-	7,300	-	7,300
Investments	7	831	68,470	-	69,301
Net Worth - Public Entities	43	348,036	-	348,036	-
Other Non-Current Assets		225	2	-	227
Total Non-Current Assets		1,872,319	603,656	348,036	2,127,939
Total Assets		2,390,198	1,049,130	446,630	2,992,698
Current Liabilities					
Trade Payables	13	12,741	16,439	3,707	25,473
Other Payables & Accruals	13	96,023	23,039	79,901	39,161
Bank Overdraft	2	-	4,752	-	4,752
Unearned Revenue	14	84,265	11,681	515	95,431
Employee Entitlements	15	9,134	1,846	-	10,980
Retirement Benefits	16	23,595	1,544	-	25,139
Borrowings/Public Debts	17	34,225	20,073	13,000	41,298
Repayment of Surplus		-	1,471	1,471	-
Provisions	18	44	15,618	-	15,662
Total Current Liabilities		260,027	96,463	98,594	257,896
Non-Current Liabilities					
Other Payables & Accruals	13	48	1,673	-	1,721
Unearned Revenue	14	13,476	-	-	13,476
Retirement Benefits	16	472,501	409,200	-	881,701
Borrowings/Public Debts	17	214,330	29,332	-	243,662
Currency Issued	19	-	164,426	-	164,426
Provisions	18	25,512	-	-	25,512
Total Non-Current Liabilities		725,867	604,631	-	1,330,498
Total Liabilities		985,894	701,094	98,594	1,588,394
Net Assets		1,404,304	348,036	348,036	1,404,304
Net Assets/Equity					
Reserves	20	171,536	38,680	-	210,216
Revaluation Reserve	20	490,968	149,833	-	640,801
Current Period Surplus		(123,926)	(65,851)	(65,851)	(123,926)
Accumulated Surplus/(Deficit)		865,726	225,374	413,887	677,213
Total Net Assets/Equity		1,404,304	348,036	348,036	1,404,304

Note 40: Segment Reporting (continued)

GOVERNMENT OF THE CAYMAN ISLANDS					
STATEMENT OF FINANCIAL PERFORMANCE					
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020					
	Note	Central Government CIS000	Statutory Authorities & Government Companies CIS000	Inter- government Trade CIS000	EPS Actual 2020 CIS000
Revenue					
Coercive Revenue	21	741,973	-	67	741,906
Sales of Goods & Services	22	39,503	276,628	97,247	218,884
Cabinet Revenue		-	137,012	137,012	-
Investment Revenue	23	8,496	5,591	-	14,087
Donations	24	3,125	20,583	19,700	4,008
Other Revenue		4,220	613	5	4,827
Total Revenue		797,317	440,427	254,031	983,712
Expenses					
Personnel Costs	25	352,991	292,150	30,318	614,823
Supplies and Consumables	26	126,675	163,505	38,142	252,038
Leases	27	6,757	6,946	88	13,615
Depreciation/Amortisation	28	38,695	26,074	-	64,769
Outputs from Statutory Authorities and Government Companies	42	165,459	-	165,459	-
Outputs from Non-government Organisations	29	43,360	-	-	43,360
Transfer Payments	30	69,706	-	-	69,706
Litigation Costs		393	822	-	1,215
Other Executive Expenses	31	41,022	13,492	19,657	34,856
Finance Costs	32	13,267	1,397	367	14,297
Total Expenses		858,325	504,386	254,031	1,108,679
Other (Gains)/Losses					
Impairment of Inventory		-	(210)	-	(210)
(Gains)/Losses on Financial Instruments		(3,389)	(215)	-	(3,604)
(Gains)/Losses on Non-financial Instruments		456	2,317	-	2,773
(Surplus)/Deficit on Statutory Authorities & Government Companies		65,851	-	65,851	-
Total Other (Gains)/Losses		62,918	1,892	65,851	(1,041)
Surplus/(Deficit) for the Period		(123,926)	(65,851)	(65,851)	(123,926)

Note 40: Segment Reporting (continued)

GOVERNMENT OF THE CAYMAN ISLANDS				
STATEMENT OF CASH FLOWS				
FOR THE YEAR FINANCIAL YEAR ENDED 31 DECEMBER 2020				
	Central Government C\$5000	Statutory Authorities & Government Companies C\$5000	Inter-government trade & Adjustments C\$5000	Actual 2020 C\$5000
	Note			
Operating Activities				
Cash received				
Coercive Receipts		763,711	-	763,711
Sales of Goods & Services		34,879	259,610	247,418
Outputs to Cabinet		-	147,276	-
Outputs to other government agencies		1,718	58,497	-
Interest received		10,214	5,636	15,850
Donations / Grants received		-	20,583	20,583
Other receipts		15,220	3,778	18,998
Total cash received		825,742	495,380	1,066,560
Cash used				
Personnel costs		(353,598)	(217,752)	(571,350)
Supplies and consumables		(91,586)	(87,393)	(107,852)
Outputs from public authorities		(153,234)	-	-
Outputs from non-governmental organisations		(43,772)	-	(43,772)
Transfer payments		(67,650)	-	(67,650)
Financing/interest payments		(13,395)	(2,662)	(16,057)
Other payments		(49,232)	(23,261)	(72,493)
Total cash used		(772,467)	224,361	(879,174)
Net cash flows from (used by) operating activities	33	53,275	164,312	187,386
Investing activities				
Cash received				
Proceeds from sale of property, plant and equipment		-	1,222	1,222
Proceeds from the sale of Investments		807,866	28,069	835,935
Proceeds from the sale of Investments		543	-	543
Dividends and Capital withdrawal from Public Entities		3,078	-	-
Total cash received		811,487	29,291	837,700
Cash used				
Purchase of property, plant and equipment		(53,754)	(67,336)	(121,090)
Purchase of Investments: Placement of Fixed Deposits		(693,019)	-	(693,019)
Loans made by Government		(13,148)	-	(148)
Equity injection in public authorities		(21,780)	21,780	-
Equity injection in Ministry/Portfolio		-	-	-
Total cash used		(781,701)	34,780	(814,257)
Net cash flows from (used by) investing activities		29,786	31,702	23,443
Financing activities				
Cash received				
Proceeds from Borrowing		-	(13,000)	-
Deposits from Public Authorities		5,288	-	-
Capital withdrawal/Dividends from Public Authorities		-	9,213	-
Total cash received		5,288	(1,501)	-
Cash used				
Repayment of Borrowings		(35,825)	(9,681)	(45,506)
Total cash used		(35,825)	-	(45,506)
Net cash flows from (used by) financing activities		(30,537)	(1,501)	(45,506)
Net increase/(decrease) in cash and cash equivalents held		52,524	112,799	165,323
Cash and cash equivalents at beginning of period		107,508	168,385	275,893
Cash and cash equivalents at end of period	2	160,032	281,184	441,216

Note 41: Subsequent Event

Management has evaluated the possibility of subsequent events existing in the Government's Financial Statements through to 18 December 2023.

During 2021 the Government continued to monitor and revise the policies and protocols in place to manage the effects of the COVID-19 pandemic on the economy. The Government introduced a five-phase reopening plan in 2021. During 2021 and 2022 the Government incurred \$46.2 million and \$10.3 million, respectively, in additional costs related to COVID-19 mitigation.

The country entered into the fifth phase of the border reopening plans on 20 January 2022. Cruise ships returned to the Cayman Islands in March 2022. The COVID-19 pandemic remains a threat to economic activities worldwide. The uncertainty about the economic impact of COVID-19, including any restrictions imposed to slow the spread of the various variants of the virus may impact the Government's operations in future periods.

Line of Credit (LOC) and Long-Term Loan Facility

On 25 November 2021 the Government drew down US\$10.0 million as per the LOC agreement to keep the LOC active. In June 2022 the Government drew down the remaining US\$393.0 million of the 18-month stand by LOC. At the end of its 18-month tenor the amount advanced will be converted to a 15-year fixed interest rate amortising long-term loan. Both the LoC and the long-term loan attract an annual interest rate of 3.25%.

Government Guaranteed Loan Programme for Medium and Large Size Businesses

Subsequent to year end since, 10 borrowers have been approved for financing under the Government Guaranteed Loan Programme totalling CI\$5.6 million.

General Election

On 14 April 2021, the Cayman Islands held a General Election which resulted in the appointment of a new Government administration as well as the creation of new and reshuffled Cabinet portfolios as of 1 July 2021.

ReGen, (formerly Integrated Solid Waste Management System)

On 26 March 2021 the Government signed a Project Agreement to enter into a 25-year contract with Dart Consortium ("Dart") to design, build, finance, maintain and operate a new integrated solid waste management system. The agreement included terms for remediating the George Town Landfill. The project was subsequently renamed ReGen. Once completed, the ReGen facilities are expected to reduce greenhouse gas emissions, contribute to renewable energy, improve recycling performance and divert up to 95% of

Note 41: Subsequent Events (continued)

ReGen, (formerly Integrated Solid Waste Management System) (continued)

waste from being landfilled.

In April 2022, the Government announced an extension to the financial close deadline and long-stop date for its project agreement negotiations with Dart for Regen's development. At the time, the deadline to obtain financial close was 31 October 2022 and the long-stop date deadline was 31 January 2023. The agreement would either automatically terminate or allow for one or both parties the right to withdraw if the necessary conditions had not been completed by the long-stop date. These deadlines were not met. In May 2023, the Government announced that its negotiations with Dart were nearing completion and financial close was expected before 31 July 2023. However, this date was not met and negotiations continue.

The Government continues to support the ReGen project and its commitments/ obligations under the agreements signed by prior Governments. The Government also continues to support its commitments/obligations arising from any final contract/agreement to construct the plant or, those arising from an abandonment of the project.

At the date of issuance of these financial statements, approximately \$26.0 million has been spent on the remediation of the existing landfill. The project and the details of the contract are currently still under negotiation and a number of aspects are deemed to be commercially sensitive. However, in March 2023, the Government stated that ReGen would cost at least \$1.5 billion over its 25-year lifetime. In other words, it will cost the Government at least \$1.5 billion to manage the waste generated over the next 25 years.

Strategic Policy Statement

In April 2023, the Government presented its 2024 Strategic Policy Statement (SPS) which outlines the Government's medium-term economic and fiscal plans for the period 1 January 2024 to 31 December 2026. The SPS will guide the development of the detailed budget for the for the years 2024 and 2025.

Management has determined that there are no further material events that would require disclosure in the Government's financial statements. A further review will be carried out when the Financial Statements become ready to be issued.

Supplementary Statements

Note 42: Outputs from Statutory Authorities & Government Companies

In order to improve the delivery and range of services it offers to the public, the Government has established several authorities and companies with the sole mandate of making such a good or service available to the public with the mode of delivery being akin to, or comparable to, private sector operating standards. These bodies are overseen by Boards appointed by the sitting Government and are guided by a law specific to that particular entity, with ultimate governance provided by the Public Authorities Act (2017). In an effort to reduce cost to the general public, the Government subsidises the cost of operation with the public being asked to make minimal contributions for these services. For the year ended 31 December 2020, the Government provided subsidies amounting to \$164.9 million (2019: \$130.3 million).

Core Actual 2019 C\$000	Description	Core Actual 2020 C\$000
315	Auditors Oversight Authority	335
19,273	Cayman Airways Ltd	36,401
567	Cayman Islands Development Bank	567
17,006	Cayman Islands Monetary Authority	22,720
39,536	Cayman Islands National Insurance Company	42,297
760	Cayman National Cultural Foundation	1,089
3,100	Children & Youth Services Foundation	3,100
37,780	Health Services Authority	44,088
1,240	Utilities Regulations and Competition Office	2,439
450	Maritime Authority of the Cayman Islands	592
669	National Drug Council	689
586	National Gallery of the Cayman Islands	736
580	National Housing Development Trust	675
855	National Museum	855
56	Sister Islands Affordable Housing Corporation	56
2,009	Tourism Attractions Board	1,760
5,528	University College of the Cayman Islands	7,060
130,310	Total Outputs from Public Entities	165,459

Note 43: Investment in Statutory Authorities & Government Companies

Actual 2019 CI\$000	Description	Equity Injection CI\$000	Prior Period Adjustments CI\$000	Withdrawals CI\$000	Surplus/ (Deficit) CI\$000	Actual 2020 CI\$000
362	Auditors Oversight Authority	-	-	-	56	418
1,260	Sister Islands Affordable Housing Corporation	-	-	-	36	1,296
40,070	Cayman Islands Monetary Authority	-	(4,897)	-	3,927	39,100
74,809	Water Authority-Cayman	-	346	(250)	853	75,758
41,216	Port Authority	-	129	-	(11,861)	29,484
21,644	Cayman Islands Development Bank	4,500	781	-	241	27,166
2,698	National Gallery of the Cayman Islands	-	3,143	-	30	5,871
1,774	National Museum	-	(49)	-	43	1,768
9,018	University College of the Cayman Islands	444	(288)	-	48	9,222
9,540	Civil Aviation Authority	-	56	(2,303)	1,507	8,800
426	National Drug Council	-	9	-	128	563
8,039	Cayman National Cultural Foundation	210	(151)	-	141	8,239
(25,388)	Health Services Authority	-	(3,172)	-	(34,589)	(63,149)
3,143	Tourism Attractions Board	-	3,639	-	(131)	6,651
-	Public Service Pension Board	-	-	4,559	(4,559)	-
2,066	Utility Regulation and Competition Office	-	277	-	364	2,707
1,874	Maritime Authority of the Cayman Islands	-	(1,593)	-	(740)	(459)
1,481	Children & Youth Services Foundation	-	6	-	292	1,779
7,431	National Housing Development Trust	8,022	3,769	-	(816)	18,406
(25,592)	Cayman Airways Ltd	3,392	(596)	-	1,778	(21,018)
4,102	Cayman Islands Stock Exchange	-	(21)	(607)	2,056	5,530
19,771	Cayman Turtle Conservation and Education Centre Ltd	4,000	(134)	-	(9,903)	13,734
(15,215)	National Roads Authority	-	(77)	-	(4,884)	(20,176)
191,237	Cayman Islands Airports Authority	154	1,084	-	(20,437)	172,038
13,747	Cayman Islands National Insurance Company	-	(8)	-	10,569	24,308
389,513	Total	20,722	2,253	1,399	(65,851)	348,036

Note 44: Details of Borrowings

Central Government

CAYMAN ISLANDS GOVERNMENT DETAILS OF BORROWINGS as at 31 DECEMBER 2020					
	Type of Debt	Managed By	Original Borrowing \$'000	Balance as at 31 December 2020 CIS'000	Balance as at 31 December 2019 CIS'000
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10123355 Loan Agreement of US\$74.4 million amortised over 15 years at a fixed interest rate of 5.58% per annum, with quarterly payments of interest plus Principal of US\$0.5 million commencing with final repayment due 30th November 2020.	Foreign Currency - USD	Central Government	US 28,800	-	1,600
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10331239 Loan in the amount of US\$62,999,949.60 was drawn on 27th June 2008. The loan has been amortised over 15 yrs with 1/4ly payts of Principal US\$1,050,000 plus interest @ 2.71% effective with final repayment due 24 June 2023.	Foreign Currency - USD	Central Government	US 63,000	9,625	13,126
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10330158 Loan in the amount of US\$45,599,963.52 was drawn on 24 June 2008 amortised over 15 yrs with 1/4ly Principal payments of US\$760,000 plus interest @ 2.71% effective 24 January 2014 with a final repayment due 24 June 2023.	Foreign Currency - USD	Central Government	US 45,600	6,966	9,500
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10276203 Facility in the amount of US\$47.16 Million amortised over 15 yrs with 1/4ly Principal payments of US\$786,000 plus interest at 2.67% effective 11 February 2014 with a final repayment due 11 February 2023.	Foreign Currency - USD	Central Government	US 47,160	5,895	8,515
CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10444245 15 Year fixed-rate loan of US\$185.0 million advanced on 19th April 2011 at an interest rate of 5.44% per annum. Semi-annual payments of interest only commencing 19 October 2011 with Principal payments of US\$9.2 million plus interest to commence 19th October 2016.	Foreign Currency - USD	Central Government	US 185,074	84,826	100,248
2019 Borrowings Butterfield Bank Loan Facility in the amount of US\$182.6 million, (first advance on 4 Dec 2019 for US\$91,343,283.58 and final advance of US\$91,343,284.42 on 23rd December 2019), amortised over 15 years with principal payments of US\$1,014,925.38 plus interest payable monthly commenced 31st December 2019 and final repayment due on 31 December 2034. The interest rate was fixed at 3.25% on 25 November 2019 for the remaining life of the loan.	Foreign Currency - USD	Central Government	US182,686	141,243	151,393
TOTAL DEBTS MANAGED BY CENTRAL GOVERNMENT				248,555	284,382

Note 44: Details of Borrowings (continued)

Statutory Authorities and Government Companies

STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES DETAILS OF BORROWINGS as at 31 DECEMBER 2020					
	Type of Debt	Managed By	Original Borrowing \$'000	Balance as at 31 December 2020 CI\$'000	Balance as at 31 December 2019 CI\$'000
RBC Royal Bank of Canada During the 18-month period ended 31 December 2017, the Company consolidated all existing loan arrangements with a single local bank. The loan bears a fixed rate of interest based on Libor. The loan is secured by way of a guarantee from the Government and is repayable by 2022. The loans bear a floating rate of interest priced at one-month Libor plus a percentage spread per annum.	Foreign Currency - USD	Cayman Airways Ltd	US 23,800	21,156	18,841
CIBC FirstCaribbean International Bank - Debt Consolidation Facility which was originally due for repayment in January 2016 and received US\$36.8 Million proceeds under a new credit facility with FCIB to consolidate and repay the remaining credit facilities listed above. The new credit facility will be for a term of 10 years (maturing June 30, 2025) at an interest rate of U.S. 3-Month LIBOR plus 1.125% and is secured by a Government Guarantee. Under the terms of the agreement, interest only will be paid in the first 3 years after which amortized payments of principal and interest will be made	Foreign Currency - USD	Cayman Islands Development Bank	US 36,800	11,699	15,774
Bond Issued at 5.238% 28th October 2004 for 20 years to 28th October 2024 with semi-annual payments	Foreign Currency - USD	National Housing Development Trust	US 14,500		4,329
Bond Issued in August 2009 at 11 yrs at 3.250% for 19 years (first 2 yrs Monthly interest only, 9 yrs of semi-annually principal payments) Balloon note at end in 11 yrs 30 Dec 2019 or refinancing required.	Local Currency KYD	National Housing Development Trust	\$12,083	3,550	6,813
TOTAL DEBTS MANAGED BY STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES				36,405	45,757
TOTAL BORROWINGS				284,960	330,139

Summary of Borrowings

SUMMARY OF BORROWINGS				
as at 31 DECEMBER 2020				
		Original Borrowing US\$/CIS' 000	Balance as at 31 December 2020 CIS' 000	Balance as at 31 December 2019 CIS' 000
Summary by Type				
	Number of Debts			
Total USD Debt	7	US\$ 861,913	281,410	323,326
Total KYD Debt	1	\$12,083	3,550	6,813
Total Public Debt	8		284,960	330,139
Summary by assignment				
Central Government - USD Debt	5	US\$ 681,634	248,555	284,382
Statutory Authorities & Government Companies - USD Debt	2	US\$ 92,076	32,855	38,944
Statutory Authorities & Government Companies - KYD Debt	1	\$12,083	3,550	6,813
Total Public Debt	8		284,960	330,139

Note 45: Principles of Responsible Financial Management

The Government of the Cayman Islands manages its day-to-day operation without direct intervention by the Foreign Commonwealth Office (FCO) provided that the policies implemented are in keeping with the agreed direction/guidelines of the FCO. These guidelines are referred to under the PMFA as Principles of Responsible Financial Management. Per section 34 of the PMFA, failure to comply with the borrowing, net debt and cash reserve principles as outlined below requires that any additional borrowing must first receive the approval of the Foreign Commonwealth Office.

Principle	Degree of Compliance	
	2020 Unaudited Actuals	Approved 2020 Budget
Core Government Operating Surplus : Should be positive (Operating surplus = Core Government operating revenue – Core Government operating expenses for the 12-month period 1 January to 31 December 2020)	Does Not Comply* Deficit = \$58.1 million	Complies Surplus = \$64.7 million
Net Worth: Should be positive (Net worth = Core Government assets – Core Government liabilities)	Complies Net Worth = \$1.4 billion	Complies Net Worth = \$1.5 billion
Borrowing: Debt servicing cost for the year should be no more than 10% of Core Government revenue (Debt servicing = interest + other debt servicing expenses + principal repayments for Core Government debt, Public Authorities debt and self-financing loans)	Complies Debt servicing = 7.7%	Complies Debt servicing = 7.8%
Net Debt: Should be no more than 80% of Core Government revenue (Net debt = outstanding balance of Core Government debt + outstanding balance of self-financing loan balance + weighted outstanding balance of Public Authorities guaranteed debt - Core Government liquid assets)	Complies Net debt 25.9%	Complies Net debt < 0%
Cash Reserves should be no less than estimated executive expenses for 90 Days: (Cash Reserves = Core Government cash and other liquid assets at lowest point)	Complies Cash Reserves = 162.5 days	Complies Cash Reserves = 130.5 days
Financial risks should be managed prudently so as to minimise risk	Complies Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.	Complies Insurance cover exists for all government buildings, vehicles and major potential liabilities. Hurricane Preparedness Strategy in place.

Note 46: Statement of Trust Holdings

Under the PMFA, "trust assets" are defined as assets (including money, but not money belonging to the Government) transferred or paid to the Government in trust for any purpose or to hold for or on behalf of any person, and include any such assets-

- (a) To be held pending the completion of a transaction or dispute; or
- (b) That belongs or is due to any person and is collected under any agreement with that person.

Trust assets are held separately and are not reported as part of these financial statements but are being disclosed in accordance with the provisions of the PMFA.

These trusts are classified into nine (9) broad groups and are shown in the Statement of Trust Holdings.

As at 31 December 2020, the Government held \$135.1 million (2019: \$187.5 million) in trust assets as shown below.

GOVERNMENT OF THE CAYMAN ISLANDS				
Statement of Trust Assets				
As at 31 December 2020				
	Opening Balance	Additions	Disbursements	Closing Balance
	CI\$000	CI\$000	CI\$000	CI\$000
Prisoners' Monies	92	-	-	92
Immigration Repatriation Deposits	5,406	-	-	5,406
Police Bail Bonds	295	19	(48)	266
Asset Forfeiture	1,247	25	(850)	422
Defunct Companies	70,272	10,542	(31,635)	49,179
Court Fund Trusts	99,411	118,872	(148,207)	70,076
Dormant Trusts Account	10,687	1,989	(3,126)	9,550
Immigration Bail Bonds	19	-	-	19
Other Trusts	50	-	-	50
Total Trust Assets	187,479	131,447	(183,866)	135,060

Note 47: Government Reporting Entities as at 31 December 2020

Entity	Segment
Office of the Auditor General	CORE
Cabinet Office	CORE
Director of Public Prosecutions	CORE
Judicial Administration	CORE
Ministry of Commerce, Planning and Infrastructure	CORE
Ministry of Community Affairs	CORE
Ministry of District Administration, Tourism and Transport	CORE
Ministry of Education, Youth, Sports, Agriculture and Lands	CORE
Ministry of Finance and Economic Development	CORE
Ministry of Financial Services and Home Affairs	CORE
Ministry of Health, Environment, Culture and Housing	CORE
Ministry of Employment and Border Control	CORE
Ministry of International Trade, Investment, Aviation and Maritime Affairs	CORE
Office of the Ombudsman	CORE
Office of the Commissioner of Police	CORE
Portfolio of Legal Affairs	CORE
Portfolio of the Civil Service	CORE
Auditors Oversight Authority	SAGC
Cayman Airways Ltd	SAGC
Cayman Islands Airports Authority	SAGC
Cayman Islands Development Bank	SAGC
Cayman Islands Monetary Authority	SAGC
Cayman Islands National Insurance Company	SAGC
Cayman Islands Stock Exchange	SAGC
Cayman National Cultural Foundation	SAGC
Cayman Islands Turtle Centre	SAGC
Children and Youth Services Foundation	SAGC
Civil Aviation Authority	SAGC
Health Services Authority	SAGC
Maritime Authority of the Cayman Islands	SAGC
National Drug Council	SAGC
National Gallery of the Cayman Islands	SAGC
National Housing Development Trust	SAGC
National Museum	SAGC
National Roads Authority	SAGC
Port Authority of the Cayman Islands	SAGC
Sister Islands Affordable Housing Corporation	SAGC
Tourism Attractions Board	SAGC
University College of the Cayman Islands	SAGC
Utility Regulation and Competition Office	SAGC
Water Authority-Cayman	SAGC