



**FINANCIAL STATEMENTS**  
**FOR**  
**THE GOVERNMENT**  
**OF**  
**THE CAYMAN ISLANDS**  
**FOR THE YEAR ENDED**  
**30<sup>TH</sup> JUNE 2015**

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

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**Statement of Responsibility**

These financial statements have been prepared in accordance with the provisions of Sections 29 of the Public Management and Finance Law (2013 Revision), as amended. They report the financial results and position for Central Government and the Entire Public Sector for the financial year ended 30<sup>th</sup> June 2015.

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.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2013 Revision), as amended.

To the best of our knowledge, the financial statements comply with generally accepted accounting practices as defined by International Public Sector Accounting Standards (IPSAS), except for IPSAS 25, Employee Benefits, as it relates to the accounting for post-retirement benefits and IPSAS 6, Consolidated and Separate Financial Statements, as it relates to the non-consolidation of the Public Service Pensions Board.

Hon. Marco Archer, JP  
Minister for Finance & Economic Development  
Government of the Cayman Islands

Dated: 23/11/2016

Hon. Alden McLaughlin, MBE, JP  
Premier  
Government of the Cayman Islands

Dated: 24/11/16



# **Management's Discussion and Analysis**

## **Introduction**

These financial statements contain the financial results and position for the year ended 30<sup>th</sup> June 2015 with comparative results of:

- The original budget for the year as published in the 2014/15 Annual Plan & Estimates,
- The audited actuals for the prior year, 2013/14.

This commentary should be read in conjunction with the financial statements and disclosure notes on pages 23 to 136.

## Government Structure

The Cayman Islands is an Overseas Territory of the United Kingdom, a foreign sovereign territory. Her Majesty the Queen of England (“Her Majesty”), as the British queen regnant, is the head of state of the Cayman Islands. Her Majesty appoints a representative (the “Governor”) to administer the Government of the Cayman Islands on her 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 Her 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 for the defense 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 Legislative Assembly 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. The Cabinet currently consists of seven Cabinet members, headed by the Governor. The seven members consist of the Premier, four ministers (the “Ministers”) who are appointed by and from within the elected members of the Legislative Assembly, and two members (the “Members”) consisting of the Deputy Governor and the Attorney General.

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 Farm (1983) Limited and the Cayman Islands Stock Exchange.



## Summary and Highlights of Financial and Economic Performance

The key financial results for the fiscal year ended 30<sup>th</sup> June 2015 are as follows;

- The net assets (total assets less total liabilities) of the Government were \$1,610.8 million;
- Cash balances of \$406.4 million were recorded, \$127.0 million of which were restricted funds and reserves;
- Public debt stood at \$629.7 million;
- Central Government financial performance was a \$124.9 million surplus while the Statutory Authorities and Government Companies made a net surplus of \$21.8 million which resulted in an Entire Public Sector surplus of \$146.7 million.

### Executive Summary

Restated Prior Year Actual		Current Year Actual	Current Year Budget
1 JUL 2013 - 30 JUN 2014		1 JUL 2014 - 30 JUN 2015	1 JUL 2014 - 30 JUN 2015
2013/14		2014/15	2014/15
\$000		\$000	\$000
<b>FINANCIAL PERFORMANCE</b>			
647,255	Operating Revenue	659,639	657,773
547,288	Operating Expenses, Financing Costs and Non-Operating Costs	534,781	536,838
99,967	Operating Surplus/ (Deficit) of Central Government	124,858	120,935
4,847	Profit/(Loss) on Investments in Public Entities	21,831	7,095
104,814	(Deficit) of the Entire Public Sector	146,689	128,030
<b>FINANCIAL POSITION</b>			
671,247	Debt Balance at Period-End	629,672	632,562
1,452,760	Net Assets	1,610,838	1,594,165
<b>CASH FLOW</b>			
158,017	Net Cash Flow from Operating Activities	201,028	186,992
(35,295)	Net Cash flow (used) in Investment Activities	(34,037)	(43,260)
(37,552)	Net Cash Flow (used) by Financing Activities	(41,738)	(40,516)
85,169	Net Movement in Cash from Period Activities	125,253	103,216
196,013	Cash and Cash Equivalents at 1 July (start of year)	281,182	254,040
281,182	Cash and Cash Equivalents at the End of the Period	406,435	357,256

## Public Debt

The Cayman Islands public sector debt consists of U.S. dollar-denominated debt and a small amount of Euro-denominated debt. The Legislative Assembly must appropriate any incurrence of liabilities. The 2009 Constitution, which came into effect on 6<sup>th</sup> November 2009, limits Government borrowing to 10% of Government revenue, as determined by a United Kingdom Secretary of State. The Legislative Assembly may provide for a higher percentage for urgent or extremely important matters.

Article 113 of the 2009 Constitution requires that:

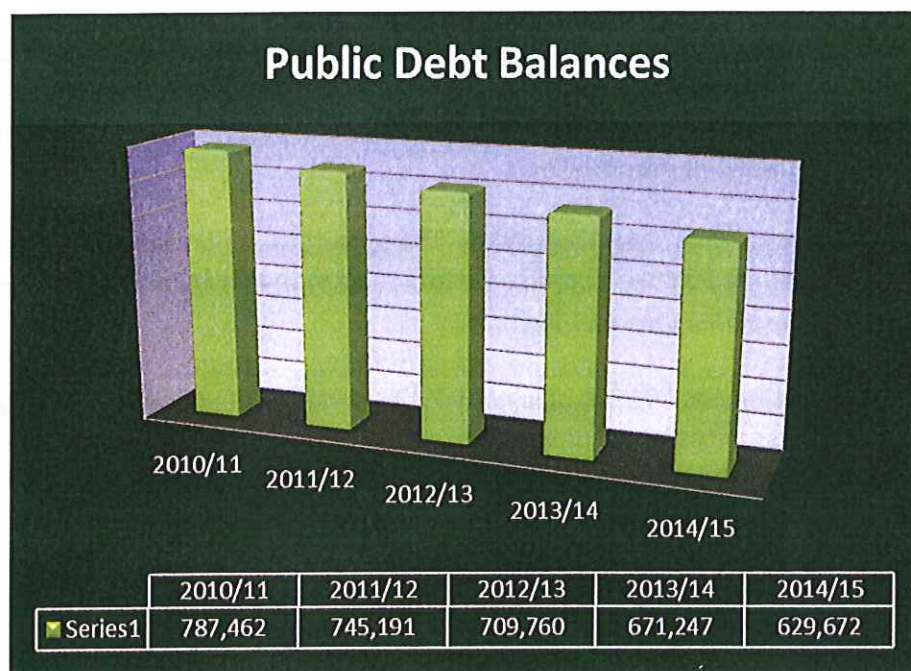
Total Government borrowing may not exceed an amount for which the sum of:

(a) Total interest payments;

(b) Total other debt servicing expenses, including arrangement fees and sinking fund expenses; and,

(c) Total principal or amortised debt repayments, for a fiscal year is more than the percentage of Government revenue set out in the law and agreed with the Secretary of State for that fiscal year. The relevant percentage for the current fiscal year pursuant to the PMFL is 10%.

As part of the agreement between the Government and the Foreign & Commonwealth Office, Central Government was not allowed to engage any new debt.



## Economic Overview

According to the *2014 Annual Economic Report* published by the Economic and Statistics Office:

- Gross domestic product (GDP) grew at an estimated rate of 2.1% an improvement of the 1.4% growth a year ago. This performance was underpinned by a demand expansion from population growth and strong tourist arrivals.
- Nominal per capita income (GDP per person) increased to \$48,095, an improvement over the \$47,170 in 2013.
- Growth was broad-based on the production side, led by tourism-related service sectors (hotels and restaurants; wholesale and retail; and transport, storage and communication). However, financing and insurance, and government services declined.
- The average inflation rate in 2014 was 1.3%, lower than the 2.2% a year which is supported by a downtrend in global oil prices.
- Total employment was estimated at 37,723, 4.5 % higher than a year ago. Consequently the unemployment rate fell to 4.7 % compared to 6.3 % in 2013.
- Unemployment rate among Caymanians declined from 9.4% in 2013 to 7.9 % in 2014, the non-Caymanians' from 3.1% to 1.5%.
- The financial services industry continued to exhibit a mixed performance. New company and partnership registrations grew while declines were recorded for mutual funds registration including master funds, insurance licences, stock exchange listing, and banks and trusts.
- Total visitors to the Cayman Islands grew by 15.8% to total 1.99 million in 2014. Air arrivals increased by 10.8% and cruise visitors rebounded with a 17.0% growth following the contraction a year ago by 8.7%.
- GDP growth projection for 2015 is placed at 2.1% in view of expected sustained growth in tourism services and construction which will positively impact other sectors, as well as a modest recovery in financial services. The inflation rate in 2015 is expected at 1.5% arising from growth in domestic demand.



## **Outcomes for 2014/15**

As outlined in the 2014/15 Annual Plan & Estimates, the Government has established the following 12 broad outcomes to guide its policy actions:

1. A strong, thriving and increasingly diverse economy;
2. A work-ready and globally competitive workforce;
3. A more secure community;
4. A more efficient, accessible and affordable public service;
5. Modern, smart infrastructure;
6. A fit and healthy population;
7. A centre of excellence in education;
8. A culture of good governance;
9. Sustainable development in Cayman Brac and Little Cayman with sensitivity to the islands' unique characteristics;
10. Conservation of our biological diversity and ecologically sustainable development;
11. A robust agriculture sector suited to the needs and resources of the country; and
12. Equity and justice in a society that values the contribution of all.

## Public Sector Borrowings Requirements

An alternative (economist's) view of the financial position of Central Government is provided by the Public Sector Borrowing Requirement (PSBR) below. As at 30<sup>th</sup> June 2015 Central Government earned \$157.6 million from operating activities, \$25.3 million was used to settle debt obligations while another \$38.7 million was used for capital expenditure. The Government also received \$3.9 million from repayment of loans and dividends from subsidiaries. This resulted in a net increase of \$97.5 million in the overall bank balances during the 2014/15 financial year.

Public Sector Financing Requirements 2014/15 Fiscal Year		
	Actual CI\$ Million	Full Year Budget CI\$ Million
<b>Total Operating Revenue</b>	<b>659.6</b>	<b>657.8</b>
<b>Operating Costs:</b>		
Personnel Costs	237.1	241.8
Other Operating Costs	271.9	268.4
<b>Total Operating Costs</b>	<b>509.0</b>	<b>510.2</b>
Financing Costs	28.5	28.5
Other Non-Operating Costs	(2.8)	(1.9)
<b>Total Costs charged to Statement of Financial Performance</b>	<b>534.7</b>	<b>536.8</b>
<b>Surplus/ (Deficit) from Operating Activities - for Core Govt</b>	<b>124.9</b>	<b>120.9</b>
Surplus from Operating Activities for Statutory Authorities and Government Owned Companies	21.8	7.1
<b>Surplus from Operating Activities - for Entire Public Sector</b>	<b>146.7</b>	<b>128.0</b>
<b>Calculation of Central/ Core Government's Public Sector Borrowing Requirement:</b>		
Cash arising from Operating Activities (from revenues less operating costs and financing cost)	157.6	152.2
Less: Cash Required to Meet Loan Principal Repayments	(25.3)	(25.4)
Add: Cash Received from Investing activities (from repayments to Gov't of loans made by Gov't and dividends received from Public Entities)	3.9	3.5
<b>Remaining Cash to assist in Financing of Capital Expenditures</b>	<b>136.2</b>	<b>130.3</b>
Less: Cash Payments Req'd to Finance Capital Transactions (ie Equity Investments and Executive Assets)	(38.7)	(47.8)
<b>Increase in Bank Balances during period</b>	<b>97.5</b>	<b>82.5</b>
<b>Public Sector Borrowing Requirement (PSBR)</b>	<b>-</b>	<b>-</b>
<b>PSBR, Borrowings and Bank Balances:</b>		
Public Sector Borrowing Requirement (PSBR)	-	-
Net increase in Bank Balances During the Period (from section above)	97.5	82.5
<b>Bank Balances at start of Fiscal Year: 1st July 2014</b>	<b>173.9</b>	<b>173.6</b>
<b>Bank Balances at end of period : 30th June 2015</b>	<b>271.4</b>	<b>256.1</b>

## 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 Public Management and Finance Law as Principles of Responsible Financial Management. Per section 34 of the PMFL, 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	2014/2015 Original Budget	Unaudited Actuals 2014/2015	Actuals 2013/2014
	CIS000s	CIS000s	CIS000s
Operating Surplus: Should be positive (Operating surplus = Central Government operating revenue - Central Government operating expenses)	<u>Complies</u> Surplus = \$128.03 million	<u>Complies</u> Surplus = \$124.9 million	<u>Complies</u> Surplus = \$104.8 million
Net Worth: should be positive (Net worth = Central Government assets - Central Government liabilities)	<u>Complies</u> Net Worth = \$1,594 million	<u>Complies</u> Net Worth = \$1,610.8 million	<u>Complies</u> Net Worth = \$1,452.8 million
Borrowing: Debt servicing cost for the year should be no more than 10% of Central Government revenue (Debt servicing = interest + other debt servicing expenses + principal repayments for Central Government debt, public authorities debt and self-financing loans and contributions to debt repayment sinking fund)	<u>Does not comply</u> Debt servicing = 11.3%	<u>Does not comply</u> Debt servicing = 18.6%	<u>Does not comply</u> Debt servicing = 11.48%
Net Debt: should be no more than 80% of Central Government revenue (Net debt = outstanding balance of Central Government debt + outstanding balance of self-financing loan balance + weighted outstanding balance of statutory authority/Government company guaranteed debt - Central Government Unrestricted Cash + General Reserves)	<u>Complies</u> Net Debt = 61.2%	<u>Complies</u> Net Debt = 60.6%	<u>Complies</u> Net Debt = 78.7%
Cash Reserves should be no less than estimated executive expenses for 90 days: (Cash reserves = Central Government Unrestricted Cash at lowest point during FY + General Reserves)	<u>Does not comply</u> Cash reserves = 43.3 days	<u>Does not comply</u> Cash reserves = 61.7 days	<u>Does not comply</u> Cash reserves = 30.2 days
Financial risks should be managed prudently so as to minimize risk	<u>Complies</u>  Minimal currency risk due to fixed exchange rate. Does not engage in trade in commodities. Liquidity risks by strict cash management routines and limited credit. As far as possible credit backed by customer deposits  Insurance cover exists for key assets and major potential liabilities.  Hurricane Preparedness & Response Strategy in place.	<u>Complies</u>  Minimal currency risk due to fixed exchange rate. Does not engage in trade in commodities. Liquidity risks by strict cash management routines and limited credit. As far as possible credit backed by customer deposits  Insurance cover exists for all Government buildings, vehicles and major potential liabilities.  Hurricane Preparedness & Response Strategy in place.	<u>Complies</u>  Minimal currency risk due to fixed exchange rate. Does not engage in trade in commodities. Liquidity risks by strict cash management routines and limited credit. As far as possible credit backed by customer deposits  Insurance cover exists for all Government buildings, vehicles and major potential liabilities.  Hurricane Preparedness & Response Strategy in place.



Responsible financial management as defined by section 14(3) of the PMFL is as below;

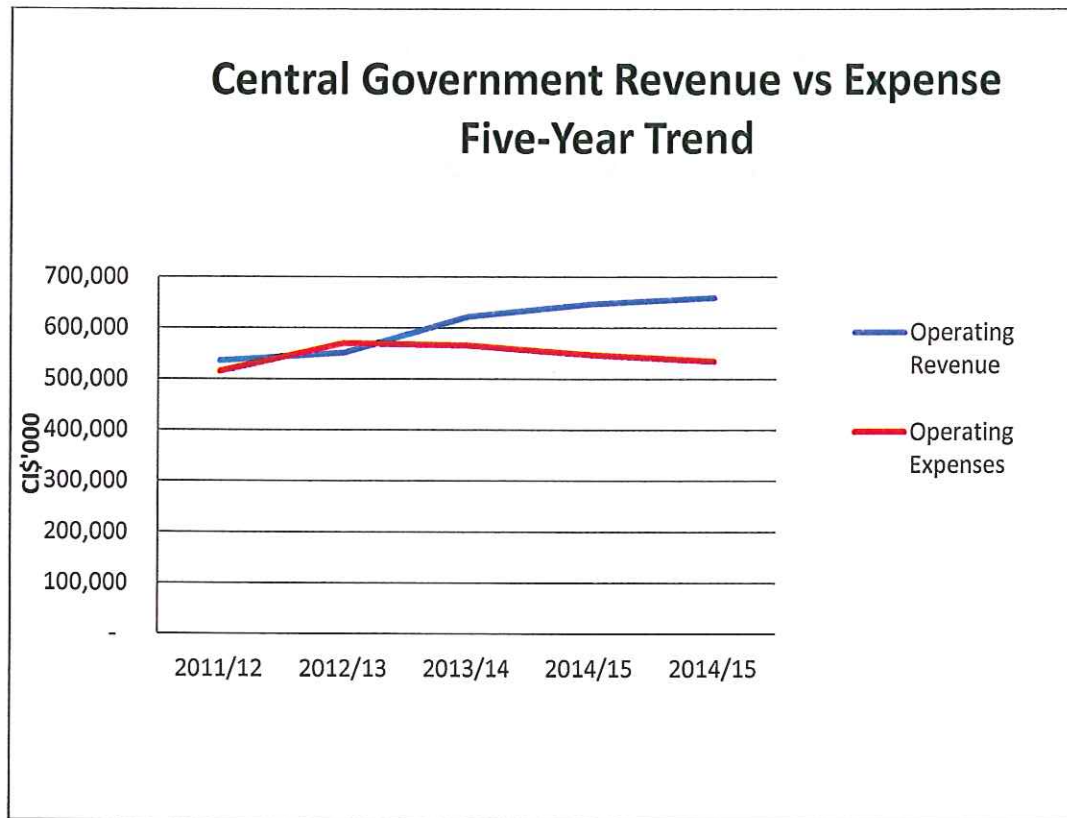
- (a) Total core government revenue less total core government expenses (measured using generally accepted accounting practice) should be positive;
- (b) Total core government assets less total core government liabilities (measured using generally accepted accounting practice) should be positive;
- (c) 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;
- (d) 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
  - (i) Central government borrowing less core government liquid assets
  - (ii) Borrowing that is serviced directly by a statutory authority or government company but is in the name of the Government; and
  - (iii) The percentage of statutory authority and government company debt guaranteed by the Government that regulations made under this Law specify is to be included in the net debt calculation;
- (e) 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
- (f) 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.

Section 14(d) of the PMFL states that the Governor in Cabinet decisions may depart from the principles of responsible financial management for a limited period if the Governor in Cabinet specifies in a paper laid before the Legislative Assembly for its information-

- (a) The reasons for the departure;
- (b) The approach that the Governor in Cabinet intends to take in order to return to those principles; and
- (c) The period of time that the Governor in Cabinet expects to take to return to those principles.

## Operating Results

Operating revenues have grown steadily over the past five years, outpacing operating expenditure in the last three consecutive fiscal years.

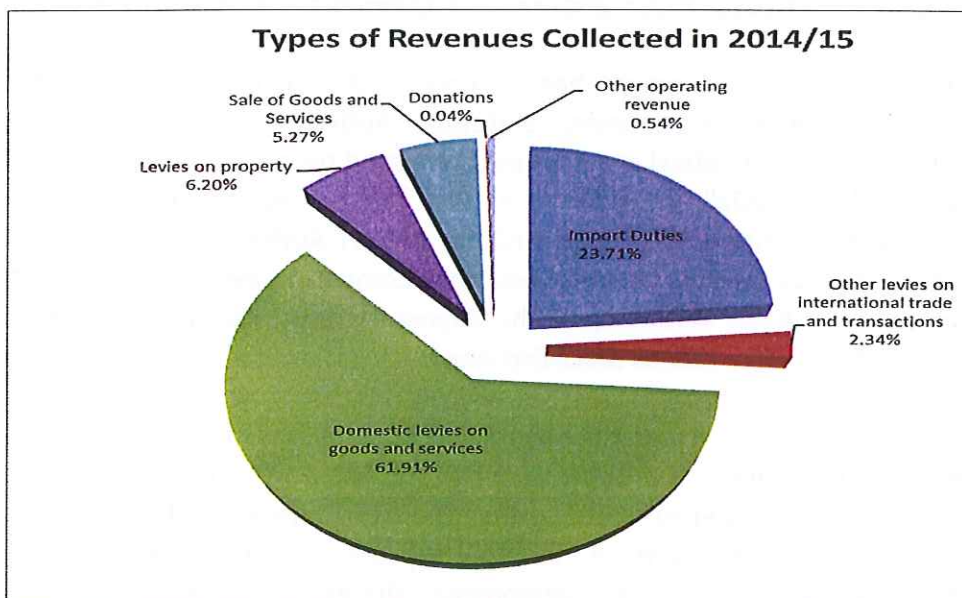


## Revenue

The Government has three main types of revenue, coercive, sales of goods and services and donations. Coercive revenue is derived through the powers of the state while sales of goods and services refer to revenue generated through trade. The Cayman Islands does not have a direct taxation system.

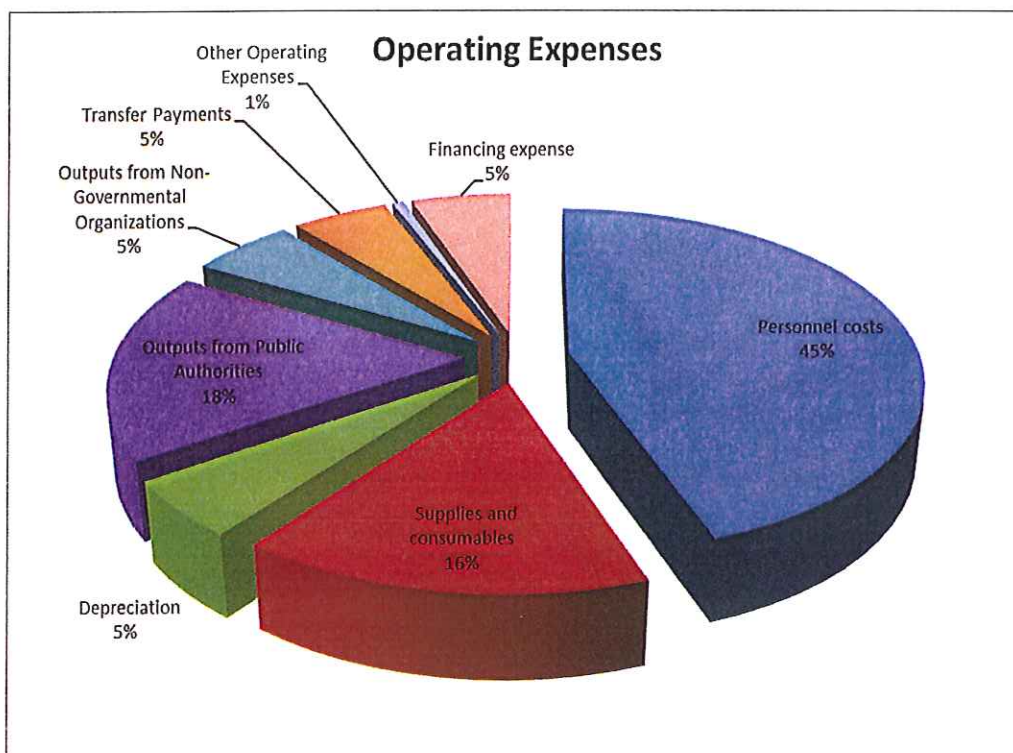
The Government's income is derived through consumption-based and annual fee-based measures, including import duties, stamp duties, fees related to business and tourism as well as administrative fees for Government services. Domestic Levies are fees levied on businesses and individuals and on average accounts for 62% of Government's earnings. A breakdown of types of revenue collected in 2014/15 is shown on page 17.





## Expenses

The Government has made a concerted effort over the last five years to reduce expenditure in relation to its earnings. These savings resulted in a surplus for the last three consecutive financial years. Personnel Costs continues to account for majority of Government's expenditure at just over 45% of total operating expenses (as shown below).



## **Performance of Statutory Authorities and Government Companies**

As at 30<sup>th</sup> June 2015, the Government had 25 entities classified as either Statutory Authorities or Government Companies. Statutory Authorities and Government Companies (SAGCs or Public Entities) are entities established by law to carry out specific functions and are at least partially Government funded. These companies include, among others, 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 Farm (1983) Limited and the Cayman Islands Stock Exchange.

Each SAGC is managed by a Board under the legislation that governs its operations. In the case of Government Companies, the Government is the single shareholder. Five (5) of these bodies are considered self-sufficient in that the Government, while maintaining oversight, does not provide any form of monetary support. All other entities receive some level of financial support from the Government. The detailed operating results of each entity are tabled separately (see Note 36 - Investment in Statutory Authorities & Government Companies). Public Entities, after a few years of losses, made a surplus in last two consecutive financial years.

Cost management initiatives, increased air and cruise tourist arrivals together with declining fuel prices contributed to in the operating results of Statutory Authorities and Government Companies in the 2014/15 financial year.

## AUDITOR GENERAL'S REPORT

### To the Members of the Legislative Assembly

I have audited the accompanying consolidated financial statements of the Cayman Islands Government, ("Government") which comprise the consolidated statement of financial position as at 30 June 2015 and the consolidated statement of financial performance, consolidated statement of changes in net worth and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 32 to 136 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

### *Management's Responsibilities for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Public Sector Accounting Standards ("IPSAS"), 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.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### ***Basis for Adverse Opinion***

#### ***Exclusion of the Public Service Pensions Board from consolidation***

The consolidated financial statements exclude material transactions and balances relating to the Public Service Pensions Board ("Pensions Board") as management concludes that the related assets are being held in trust by the Pension Board. In my opinion, the Government has control over the Pensions Board and therefore all of its transactions and balances should be consolidated in these financial statements in accordance with IPSAS 6 – ***Consolidated and Separate Financial Statements***.

As a result of these omissions; assets, liabilities, revenues and expenses in the consolidated financial statements are understated as at 30 June 2015.

#### ***Pervasive inaccuracies arising from opening balances and subsequent adjustment in subsidiaries***

As at the date of this audit report, certain subsidiary audits were in progress. It is likely that the adjustments arising from those audits could materially affect figures and disclosures in the consolidated financial statements. I have not been able to estimate the impact of those adjustments, if any, including those that may have arisen from subsidiary audits completed prior to the issuance of the consolidated financial statements for 30 June 2015. The impact of these adjustments could be both pervasive and material.

#### ***Revenue, receivables & unearned revenue affected by revenue incompleteness***

Due to poor controls, management was unable to assert to the completeness of its revenues. Therefore, I have not been able to conclude on the fairness of the amount reported as coercive revenues of \$637 million on the Statement of Financial Performance for the year ended 30 June 2015. Furthermore, I have not been able to conclude on the related unearned revenues of \$40 million and trade receivable balances of \$32 million as at 30 June 2015 on the Statement of Financial Position.

#### ***Road network incompleteness and valuation issues***

Management has not been able to provide a complete valuation report to support the carrying value of the road network and has omitted significant parts of its road network from the accounts. The carrying amount of \$668 million related to roads and sidewalks does not represent the complete account balance.

#### ***Lack of revaluation/Inconsistent accounting policies of SAGC's property, plant & equipment***

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 the statutory authorities and government companies ("SAGC") that have not been revalued. Furthermore the accounting policies used to measure the SAGC all assets except the Health Services Authority, are inconsistent to the central government entities within the consolidation. IPSAS 6 – ***Consolidated and Separate Financial Statements*** requires consistent accounting policies to be used within the consolidation. The total carrying amount of these SAGC assets in the financial statements is \$223 million and the revaluation reserve, which is also impacted, amounts to \$806 million.

#### ***Unaccounted Landfill liabilities***

The Government assigned a \$Nil value to the land component of the George Town Landfill, purportedly in order to offset any value of land against any liabilities arising from the remediation of the site. The future liabilities associated with the Landfill has not been assessed and accounted for in the consolidated financial statements. As a result I was unable to determine the impact of the future liabilities on the consolidated accounts.



***Provisions understatement of environmental liabilities***

Management has represented that there is no process in place to properly assess and account for its environmental liabilities. I have reviewed provisions and found two matters likely to be material to the financial statements that have not been assessed or recognised. These are the remediation or clean-up of the George Town landfill and Frank Sound site. As such, I believe that the liabilities for provisions are more likely than not to be understated.

***Poor controls over property, plant & equipment listings***

Subsidiaries included in the consolidated financial statements have been qualified due to the lack of detailed listings of property, plant & equipment. As a result, I have not been able to determine the fairness of those items identified, and their impact on the overall balance of property, plant & equipment.

***Understatement of long-term employee benefits liabilities and omission of disclosures***

Government did not record its liabilities relating to its post retirement-medical and defined benefit pension plans. For the post retirement medical plan, the liability given in the previous valuation report received in 2014 amounted to \$1.18 billion and was not recognized. The pensions actuarial valuation report for 2015 valued these liabilities at \$421 million which has resulted in an understatement of \$194 million. I have determined that the consolidated liabilities of the Government are therefore materially understated.

***Sales of goods and services incompleteness***

I was not able to conclude on the fairness of the amounts reported in the Statement of Financial Performance for sales of goods and services amounting to \$248 million because of poor controls for patient revenues, included in this revenue stream. In the absence of properly designed and effective controls, I was unable to satisfy myself that such reported patient services fees were complete.

***Personnel costs understated***

I was not able to conclude on the fairness of personnel costs amounting to \$352 million because of the understatement of the liabilities for post-retirement pension and healthcare employee benefit plans.

***Depreciation and amortization expenses inaccuracy***

I was not able to conclude on the fairness of depreciation and amortization expenses amounting to \$51 million resulting from the valuation and completeness issues affecting property, plant & equipment discussed above.

***Statement of Cash Flows not fairly presented***

I was not able to conclude on the fairness of the amounts reported in the Statement of Cash Flows due to the matters discussed affecting the statements of financial position and of financial performance.

***Net Worth***

Based on the above matters and representations received from management, I did not receive sufficient and appropriate audit evidence to conclude that account balance is fairly stated. As such, I am therefore unable to conclude whether the net worth is fairly stated at 30 June 2015.

***Financial Statement Disclosures***

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

- long-term employee benefits from IPSAS 25 – *Employee Benefits*. The post-retirement health care disclosures amounts included in the financial statements relate to the 2013-14 financial year as opposed to the 2014-15 financial year. This therefore does not meet the requirements of IPSAS 25.

- 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 statements do not disclose the maximum exposure of financial assets to credit risk as required by IPSAS 15 as well as a sensitivity analysis for market risk, as required by IPSAS 30.

***Adverse Opinion***

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs the consolidated financial statements do not present fairly the financial position of the Cayman Islands Government as at 30 June 2015 and its financial performance and its cash flows for the year then ended in accordance with IPSAS.

***Other Matter***

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 laws or regulatory matters as it relates to these consolidated financial statements.



Sue Winspear, CPFA  
Auditor General

7 December 2016  
Cayman Islands

# Financial Statements

## Statement of Financial Position

GOVERNMENT OF THE CAYMAN ISLANDS					
STATEMENT OF FINANCIAL POSITION					
AS AT 30 JUNE 2015					
Core Actual 2013/2014	EPS Actual 2013/2014			Core Actual 2014/2015	EPS Actual 2014/2015
CIS000	CIS000	Note		CIS000	CIS000
<b>Current Assets</b>					
173,901	285,437	2	Cash and Cash Equivalents	271,384	410,238
34,319	36,421	3	Trade Receivables	26,185	31,707
1,345	3,185	4	Other Receivables	1,951	12,500
2,694	-	4	Dividend Receivable	2,319	-
3,385	19,334	5	Inventories	2,843	16,718
758	1,668	6	Loans Made	782	571
50	80,170	7	Investments	84	65,385
8,840	12,185	8	Prepayments	7,533	13,543
-	1,428	9	Biological Assets	-	1,437
225,292	439,828		<b>Total Current Assets</b>	313,081	552,099
<b>Non-Current Assets</b>					
-	923	4	Other Receivables	-	-
1,684	31,106	6	Loans Made	1,083	29,899
1,783,309	2,078,619	10	Property, Plant and Equipment	1,782,825	2,068,405
2,979	4,769	11	Intangible Assets	3,940	5,562
-	16,204	12	Investment Property	-	15,772
831	19,412	7	Investments	831	36,692
297,859	-		Net Worth - Public Entities	331,790	-
8	8		Other Non-Current Assets	-	1
2,086,670	2,151,041		<b>Total non-current assets</b>	2,120,469	2,156,331
2,311,962	2,590,869		<b>Total Assets</b>	2,433,550	2,708,430
<b>Current Liabilities</b>					
16,625	27,369	13	Trade Payables	12,322	30,163
66,360	63,735	13	Other Payables & Accruals	56,058	49,520
-	4,255	2	Bank Overdraft	-	3,803
26,007	37,313	14	Unearned Revenue	26,173	40,238
7,111	9,046	15	Employee Entitlements	8,521	10,407
11,400	15,275	16	Retirement Benefits	11,400	15,026
25,338	64,126	17	Borrowings/Public Debts	20,943	30,902
745	10,159	18	Provisions	-	11,657
153,586	231,278		<b>Total Current Liabilities</b>	135,417	191,716
<b>Non-Current Liabilities</b>					
59	207	13	Other Payables & Accruals	59	197
121	121	15	Employee Entitlements	-	-
184,857	210,244	16	Retirement Benefits	184,857	212,022
523,161	607,121	17	Borrowings/Public Debts	502,379	598,770
-	91,720	19	Currency Issued	-	94,887
708,198	909,413		<b>Total Non-Current Liabilities</b>	687,295	905,876
861,784	1,140,691		<b>Total Liabilities</b>	822,712	1,097,592
1,450,178	1,450,178		<b>Net Assets</b>	1,610,838	1,610,838
<b>Net Assets/Equity</b>					
107,788	129,321	20	Reserves	131,820	156,612
784,043	801,414	20	Revaluation Reserve	788,116	806,179
104,815	104,815		Current Period Surplus (Deficit)	146,689	146,689
453,532	414,628		Accumulated Surplus (Deficit)	544,213	501,358
1,450,178	1,450,178		<b>Total Net Assets/Equity</b>	1,610,838	1,610,838



## Statement of Financial Performance

GOVERNMENT OF THE CAYMAN ISLANDS					
STATEMENT OF FINANCIAL PERFORMANCE					
FOR THE YEAR ENDED 30 JUNE 2015					
Core Actual 2013/2014 CIS000	EPS Actual 2013/2014 CIS000			Core Actual 2014/2015 CIS000	EPS Actual 2014/2015 CIS000
			Note		
Revenue					
612,793	611,617	Coercive Revenue	21	623,512	636,822
33,419	234,166	Sales of Goods & Services	22	34,759	248,159
682	2,336	Investment Revenue	23	1,047	4,700
304	1,203	Donations	24	283	1,081
57	101	Other Revenue		38	300
647,255	849,423	Total Revenue		659,639	891,062
Expenses					
238,101	352,316	Personnel Costs	25	237,110	352,795
81,318	227,271	Supplies and Consumables	26	78,873	223,221
6,812	9,571	Leases		5,557	8,346
25,886	43,734	Depreciation/Amortisation	27	30,863	50,846
102,190	-	Outputs from Statutory Authorities and Government Companies	40	94,004	-
26,464	26,464	Outputs from Non-government Organisations	28	29,445	29,445
31,130	31,130	Transfer Payments	29	27,274	27,274
374	1,065	Litigation Costs		470	2,018
5,821	18,632	Other Executive Expenses	30	5,493	19,192
30,515	35,816	Finance Costs	31	28,518	33,280
548,611	745,999	Total Expenses		537,607	746,417
Other (Gains)/Losses					
(1,150)	(1,150)	(Gains)/Losses on Derecognition of Assets/Liabilities		-	-
-	-	Impairment of Property, Plant and Equipment		-	16
-	258	Impairment of Inventory		-	231
2,408	2,672	(Gains)/Losses on Financial Instruments		(3,007)	(2,474)
65	(390)	(Gains)/Losses on Non-financial Instruments		181	183
4,847	-	(Surplus)/Deficit on Statutory Authorities & Government Companies		(21,831)	-
6,170	1,390	Total Other (Gains)/Losses		(24,657)	(2,044)
104,814	104,814	Surplus/(Deficit) for the Period		146,689	146,689

## Statement of Cash Flows

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>STATEMENT OF CASH FLOWS</b> AS AT 30 JUNE 2015			
Prior Year 2013/2014 CIS000			Actual 2014/2015 CIS000
	Note		
<b>Operating Activities</b>			
<b>Cash received</b>			
612,321		Coercive Receipts	623,410
241,168		Sales of Goods & Services	243,084
4,138		Interest received	4,347
1,021		Donations / Grants received	1,342
4,673		Other receipts	8,332
<b>863,320</b>		<b>Total cash received</b>	<b>880,516</b>
<b>Cash used</b>			
(340,543)		Personnel costs	(377,853)
(263,118)		Supplies and consumables	(197,785)
(25,340)		Outputs from non-governmental organisations	(31,078)
(30,888)		Transfer payments	(27,290)
(38,705)		Financing/interest payments	(34,350)
(6,709)		Other payments	(10,781)
-		Extraordinary payments	(351)
<b>(705,303)</b>		<b>Total cash used</b>	<b>(679,488)</b>
<b>158,017</b>	<b>32</b>	<b>Net cash flows from (used by) operating activities</b>	<b>201,028</b>
<b>Investing activities</b>			
<b>Cash received</b>			
441		Proceeds from sale of property, plant and equipment	314
5,094		Proceeds from the sale of Investments	3,146
<b>5,535</b>		<b>Total cash received</b>	<b>3,460</b>
<b>Cash used</b>			
(40,539)		Purchase of property, plant and equipment	(36,387)
(290)		Loans Made/Investments	(1,109)
<b>(40,830)</b>		<b>Total cash used</b>	<b>(37,496)</b>
<b>(35,295)</b>		<b>Net cash flows from (used by) investing activities</b>	<b>(34,037)</b>
<b>Financing activities</b>			
<b>Cash received</b>			
-		Proceeds from Borrowing	30,584
<b>-</b>		<b>Total cash received</b>	<b>30,584</b>
(37,552)		Repayment of Borrowings	(72,322)
<b>(37,552)</b>		<b>Total cash used</b>	<b>(72,322)</b>
<b>(37,552)</b>		<b>Net cash flows from (used by) financing activities</b>	<b>(41,738)</b>
85,169		Net increase/(decrease) in cash and cash equivalents held	125,253
196,013		Cash and cash equivalents at beginning of period	281,182
<b>281,182</b>	<b>2</b>	<b>Cash and cash equivalents at end of period</b>	<b>406,435</b>
285,437		Cash and cash equivalents (excluding bank overdrafts)	410,238
(4,255)		Less Overdraft	(3,803)
<b>281,182</b>		<b>Cash and cash equivalents</b>	<b>406,435</b>

## Statement of Changes in Net Worth

GOVERNMENT OF THE CAYMAN ISLANDS				
SCHEDULE OF CHANGES IN NET WORTH				
FOR THE PERIOD ENDED 30 JUNE 2015				
Attributable to Cayman Islands Government				
	Reserves CIS000	Revaluation CIS000	Accumulated Surplus/(Deficits) CIS000	Total Net Worth CIS000
Balance at 30 June 2013	121,745	801,414	472,113	1,395,272
Changes in net worth for 2013/14				
Prior Year Adjustments	-	-	(18,769)	(18,769)
Other Movements	-	-	(38,715)	(38,715)
Movement in Reserves	7,576	-	-	7,576
Net revenue / expenses recognised directly in net worth	7,576	-	(57,484)	(49,908)
Surplus/(deficit) for the period 2013/14			104,814	104,814
Total recognised revenues and expenses for the period	7,576	-	47,330	54,906
Balance at 30 June 2014 carried forward	129,321	801,414	519,443	1,450,178
	Reserves CIS000	Revaluation CIS000	Accumulated Surplus/(deficits) CIS000	Total Net Worth CIS000
Balance at 30 June 2014	129,321	801,414	519,443	1,450,178
Changes in accounting policy	-	-	-	-
Restated balance	129,321	801,414	519,443	1,450,178
Changes in net worth for 2014/15				
Property revaluation adjustments	-	4,765	-	4,765
Prior Period Adjustments	-	-	(7,921)	(7,921)
Other Movements	-	-	(10,164)	(10,164)
Movement in Reserves	27,291	-	-	27,291
Net revenue / expenses recognised directly in net worth	27,291	4,765	(18,085)	13,972
Surplus/(deficit) for the period 2014/15			146,689	146,689
Total recognised revenues and expenses for the period	27,291	4,765	128,605	160,661
Balance at 30 June 2015	156,612	806,179	648,047	1,610,838

## Statement of Comparison of Budget and Actual Amounts

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>STATEMENT OF FINANCIAL POSITION</b> <b>FOR THE YEAR ENDED 30 JUNE 2015</b> <b>ENTIRE PUBLIC SECTOR</b>					
	Note	Original Budget 2014/2015 CIS000	Final Budget 2014/2015 CIS000	Actual 2014/2015 CIS000	Performance Difference CIS000
<b>Current Assets</b>					
Cash and Cash Equivalents	2	361,543	361,543	410,238	48,695
Marketable Security & Deposits	2	90,104	90,104	-	(90,104)
Trade Receivables	3	51,184	51,184	31,707	(19,477)
Other Receivables	4	10,554	10,554	12,500	1,946
Inventories	5	17,866	17,866	16,718	(1,148)
Loans Made	6	1,546	1,546	571	(975)
Investments	7	-	-	65,385	65,385
Prepayments	8	9,821	9,821	13,543	3,722
Biological Assets	9	-	-	1,437	1,437
<b>Total Current Assets</b>		<b>542,618</b>	<b>542,618</b>	<b>552,099</b>	<b>9,481</b>
<b>Non-Current Assets</b>					
Trade Receivables	3	15,914	15,914	-	(15,914)
Loans Made	6	32,272	32,272	29,899	(2,373)
Property, Plant and Equipment	10	2,040,719	2,040,719	2,068,405	27,686
Intangible Assets	11	5,554	5,554	5,562	8
Investment Property	12	-	-	15,772	15,772
Investments	7	2,451	2,451	36,692	34,241
Prepayments		1,726	1,726	-	(1,726)
Other Non-Financial Assets		-	-	1	1
<b>Total Non-Current Assets</b>		<b>2,098,636</b>	<b>2,098,636</b>	<b>2,156,331</b>	<b>57,695</b>
<b>Total Assets</b>		<b>2,641,254</b>	<b>2,641,254</b>	<b>2,708,430</b>	<b>67,176</b>
<b>Current Liabilities</b>					
Trade Payables	13	20,892	20,892	30,163	9,271
Other Payables & Accruals	13	58,966	58,966	49,520	(9,446)
Bank Overdraft	2	4,287	4,287	3,803	(484)
Unearned Revenue	14	33,119	33,119	40,238	7,119
Employee Entitlements	15	8,420	8,420	10,407	1,987
Retirement Benefits	16	-	-	15,026	15,026
Borrowings	17	30,620	30,620	30,902	282
Provisions	18	-	-	11,657	11,657
<b>Total Current Liabilities</b>		<b>156,304</b>	<b>156,304</b>	<b>191,716</b>	<b>35,412</b>
<b>Non-Current Liabilities</b>					
Trade Payables	13	50	50	-	(50)
Other Payables & Accruals	13	780	780	197	(583)
Unearned Revenue	14	5,500	5,500	-	(5,500)
Employee Entitlements	15	50	50	-	(50)
Unfunded Pension Liability	16	194,963	194,963	212,022	17,059
Borrowings	17	601,942	601,942	598,770	(3,172)
Currency Issued	19	87,500	87,500	94,887	7,387
<b>Total Non-Current Liabilities</b>		<b>890,785</b>	<b>890,785</b>	<b>905,876</b>	<b>15,091</b>
<b>Total Liabilities</b>		<b>1,047,089</b>	<b>1,047,089</b>	<b>1,097,592</b>	<b>50,503</b>
<b>Net Assets</b>		<b>1,594,165</b>	<b>1,594,165</b>	<b>1,610,838</b>	<b>16,673</b>
<b>Net Assets/Equity</b>					
Reserves	20	131,630	131,630	156,612	24,982
Revaluation Reserve	20	753,562	753,562	806,179	52,617
Current Period Surplus		128,030	128,030	146,689	18,659
Accumulated Surplus/(Deficit)		580,943	580,943	501,358	(79,585)
<b>Total Net Assets/Equity</b>		<b>1,594,165</b>	<b>1,594,165</b>	<b>1,610,838</b>	<b>16,673</b>



# Statement of Comparison of Budget and Actual Amounts continued

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>STATEMENT OF FINANCIAL POSITION</b> <b>FOR THE YEAR ENDED 30 JUNE 2015</b> <b>CORE GOVERNMENT</b>					
	Note	Original Budget 2014/2015 CIS000	Final Budget 2014/2015 CIS000	Actual 2014/2015 CIS000	Performance Difference CIS000
<b>Current Assets</b>					
Cash and Cash Equivalents	2	256,125	256,125	271,384	15,259
Trade Receivables	3	29,276	29,276	26,185	(3,091)
Other Receivables	4	10,512	10,512	1,951	(8,561)
Dividends Receivable	4	-	-	2,319	2,319
Inventories	5	2,468	2,468	2,843	375
Loans Made	6	276	276	782	506
Investments	7	-	-	84	84
Prepayments	8	6,736	6,736	7,533	797
<b>Total Current Assets</b>		<b>305,393</b>	<b>305,393</b>	<b>313,081</b>	<b>7,688</b>
<b>Non-Current Assets</b>					
Loans Made	6	2,375	2,375	1,083	(1,292)
Property, Plant and Equipment	10	1,736,659	1,736,659	1,782,825	46,166
Intangible Assets	11	4,967	4,967	3,940	(1,027)
Investments	7	2,451	2,451	831	(1,620)
Net Worth - Public Entities		330,340	330,340	331,790	1,450
<b>Total Non-Current Assets</b>		<b>2,076,792</b>	<b>2,076,792</b>	<b>2,120,469</b>	<b>43,677</b>
<b>Total Assets</b>		<b>2,382,185</b>	<b>2,382,185</b>	<b>2,433,550</b>	<b>51,365</b>
<b>Current Liabilities</b>					
Trade Payables	13	15,188	15,188	12,322	(2,866)
Other Payables & Accruals	13	41,401	41,401	56,058	14,657
Unearned Revenue	14	23,267	23,267	26,173	2,906
Employee Entitlements	15	6,359	6,359	8,521	2,162
Borrowings	17	20,017	20,017	20,943	926
<b>Total Current Liabilities</b>		<b>106,232</b>	<b>106,232</b>	<b>135,417</b>	<b>29,185</b>
<b>Non-Current Liabilities</b>					
Other Payables & Accruals	13	-	-	59	59
Unfunded Pension Liability	16	178,323	178,323	184,857	6,534
Borrowings	17	503,465	503,465	502,379	(1,086)
<b>Total Non-Current Liabilities</b>		<b>681,788</b>	<b>681,788</b>	<b>687,295</b>	<b>5,507</b>
<b>Total Liabilities</b>		<b>788,020</b>	<b>788,020</b>	<b>822,712</b>	<b>34,692</b>
<b>Net Assets</b>		<b>1,594,165</b>	<b>1,594,165</b>	<b>1,610,838</b>	<b>16,673</b>
<b>Net Assets/Equity</b>					
Reserves	20	131,630	131,630	131,820	190
Revaluation Reserve	20	753,562	753,562	788,116	34,554
Current Period Surplus		128,030	128,030	146,689	18,659
Accumulated Surplus/(Deficit)		580,943	580,943	544,213	(36,730)
<b>Total Net Assets/Equity</b>		<b>1,594,165</b>	<b>1,594,165</b>	<b>1,610,838</b>	<b>16,673</b>

## Statement of Comparison of Budget and Actual Amounts continued

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>STATEMENT OF FINANCIAL PERFORMANCE</b> <b>FOR THE YEAR ENDED 30 JUNE 2015</b> <b>ENTIRE PUBLIC SECTOR</b>					
	Note	Original Budget 2014/2015 CIS000	Final Budget 2014/2015 CIS000	Actual 2014/2015 CIS000	Performance Difference CIS000
<b>Revenue</b>					
Coercive Revenue	21	624,886	624,886	636,822	11,936
Sales of Goods & Services	22	243,731	243,731	248,159	4,428
Investment Revenue	23	2,294	2,294	4,700	2,406
Donations	24	802	802	1,081	279
Other Revenue		942	942	300	(642)
<b>Total Revenue</b>		<b>872,655</b>	<b>872,655</b>	<b>891,062</b>	<b>18,407</b>
<b>Expenses</b>					
Personnel Costs	25	358,192	358,192	352,795	(5,397)
Supplies and Consumables	26	245,701	245,701	223,221	(22,480)
Leases		-	-	8,346	8,346
Depreciation & Amortisation	27	48,172	48,172	50,846	2,674
Outputs from Non-Government Organizations	28	22,695	22,695	29,445	6,750
Transfer Payments	29	31,284	31,284	27,274	(4,010)
Litigation Costs		1,839	1,839	2,018	179
Other Executive Expenses	30	4,489	4,489	19,192	14,703
Finance Costs	31	33,722	33,722	33,280	(442)
<b>Total Expenses</b>		<b>746,094</b>	<b>746,094</b>	<b>746,417</b>	<b>323</b>
<b>Other (Gains)/Losses</b>					
Impairment of Property, Plant and Equipment		-	-	16	16
Impairment of inventory		2	2	231	229
(Gains)/Losses on Financial Instruments		(1,471)	(1,471)	(2,474)	(1,003)
(Gains)/Losses on Non-financial Instruments		-	-	183	183
<b>Total Other (Gains)/Losses</b>		<b>(1,469)</b>	<b>(1,469)</b>	<b>(2,044)</b>	<b>(575)</b>
<b>Surplus/ (Deficit) for the period</b>		<b>128,030</b>	<b>128,030</b>	<b>146,689</b>	<b>18,659</b>

# Statement of Comparison of Budget and Actual Amounts continued

## GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015 CORE GOVERNMENT

	Note	Original Budget 2014/2015 CIS000	Final Budget 2014/2015 CIS000	Actual 2014/2015 CIS000	Performance Difference CIS000
<b>Revenue</b>					
Coercive Revenue	21	624,886	624,886	623,512	(1,374)
Sales of Goods & Services	22	32,278	32,278	34,759	2,481
Investment Revenue	23	524	524	1,047	523
Donations	24	60	60	283	223
Other Revenue		25	25	38	13
<b>Total Revenue</b>		<b>657,773</b>	<b>657,773</b>	<b>659,639</b>	<b>1,866</b>
<b>Expenses</b>					
Personnel Costs	25	241,763	241,763	237,110	(4,653)
Supplies and Consumables	26	87,761	87,761	78,873	(8,888)
Leases		-	-	5,557	5,557
Depreciation & Amortisation	27	27,752	27,752	30,863	3,111
Outputs to Statutory Authorities and Government Companies	40	94,069	94,069	94,004	(65)
Outputs from Non-Government Organizations	28	22,695	22,695	29,445	6,750
Transfer Payments	29	31,284	31,284	27,274	(4,010)
Litigation Costs		384	384	470	86
Other Executive Expenses	30	4,488	4,488	5,493	1,005
Finance Costs	31	28,525	28,525	28,518	(7)
<b>Total Expenses</b>		<b>538,721</b>	<b>538,721</b>	<b>537,607</b>	<b>(1,114)</b>
<b>Other (Gains)/Losses</b>					
(Gains)/Losses on Financial Instruments		(1,883)	(1,883)	(3,007)	(1,124)
(Gains)/Losses on Non-financial Instruments		-	-	181	181
(Surplus)/Deficit on Statutory Authorities & Government Companies		(7,095)	(7,095)	(21,831)	(14,736)
<b>Total Other (Gains)/Losses</b>		<b>(8,978)</b>	<b>(8,978)</b>	<b>(24,657)</b>	<b>(15,679)</b>
<b>Surplus/(Deficit) for the Period</b>		<b>128,030</b>	<b>128,030</b>	<b>146,689</b>	<b>18,659</b>



# Notes to the Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

The Cayman Islands is an Overseas Territory of the United Kingdom, a foreign sovereign territory. Her Majesty the Queen of England, as the British Queen 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.

While financial decisions of the Government are made by the Legislative Assembly and Cabinet, and 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 are to provide:

- General public services
- Public order and safety
- Economic Affairs
- Environmental protection
- Health
- Social Protection
- Housing and community amenities
- Recreational, cultural and religion
- 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.

### 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.

### **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.

### **Judgments and Estimates**

The preparation of these financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on 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 were dealt with by using expected outcomes.

Actual results may differ from these estimates.

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

### **Significant Accounting Policies**

The reporting period for the financial statements of the Government of the Cayman Islands is the financial year from 1<sup>st</sup> July to 30<sup>th</sup> June.

### **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 Complaints Commissioner
- Office of the Auditor General
- Office of the Information Commissioner
- Office of the Director of Prosecutions
- 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.

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.

## **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 IPSAS applied with no material impact on the consolidated financial statements**

### *IPSAS 32 Service Concession Arrangements: Grantor*

The standard was issued to address a lack of guidance on how public sector entities should account for service concession arrangements from a grantor's perspective. The standard applies the principles in IFRIC 12 Service Concession Arrangements for determining whether the grantor or the operator should recognize the asset used in a service concession arrangement.



The standard requires an entity that has previously recognised service concession assets and related liabilities, revenue and expenses to apply this standard retrospectively in accordance with IPSAS 32. The standard also requires an entity that has not previously recognised service concession assets and related liabilities, revenues, and expenses and uses the accrual basis of accounting to apply this standard either retrospectively or prospectively, using deemed cost from the beginning of the earliest period for which comparative information is presented in the financial statements.

The application of the standard has had no effect on the amounts reported in the current and prior years because the Government has not entered into any transactions of this nature.

### **New and Revised IPSAS issued but not yet effective**

The Government has not applied the following new and revised IPSAS that have been issued but are not yet effective:

- *Amendment IPSAS 1 Presentation and Financial Statements* — Clarification of comparative information requirements (effective for periods beginning on or after January 1, 2015)
- *Amendment IPSAS 17 Property, Plant and Equipment*— Revisions to guidance on classification of servicing equipment, clarification of the revaluation method, additional guidance on acceptable methods of depreciating assets (effective for periods beginning on or after January 1, 2015)
- *Amendment IPSAS 28 Financial Instruments: Presentation* — Additional guidance on tax effects of distributions to holders of equity instruments (effective for periods beginning on or after January 1, 2015)
- *Amendment IPSAS 31 Intangible Assets* — Clarification of the revaluation method, clarification of acceptable methods of amortizing assets (effective for periods beginning on or after January 1, 2015)
- *IPSAS 33 First-time Adoption of Accrual Basis IPSASs* (effective for period beginning on or after January 1, 2017)
- *IPSAS 34 Separate Financial Statements* (effective for period beginning on or after January 1, 2017)
- *IPSAS 35 Consolidated Financial Statements* (effective for period beginning on or after January 1, 2017)
- *IPSAS 36 Investments in Associates and Joint Ventures* (effective for period beginning on or after January 1, 2017)
- *IPSAS 37 Joint Arrangements* (effective for period beginning on or after January 1, 2017)
- *IPSAS 38 Disclosure of Interests in Other Entities* (effective for period beginning on or after January 1, 2017)

## Budget Amounts

The original budget amounts for the financial year are as presented in the 2014/2015 Annual Plan and Estimates as approved by the Legislative Assembly on the 25<sup>th</sup> June 2014. The Final Budget does not include amounts authorised in advance of appropriation issued under section 11 (5) of the Public Management and Finance Law (2013 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 33).

## 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.

### Coercive revenue

Coercive revenue is recognised on the following basis:-

<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
<b>Taxes on International Trade and Transactions</b>	
<ul style="list-style-type: none"><li>• Import Duties</li></ul>	When goods become liable for duty, generally at declaration, prior to release of goods
<ul style="list-style-type: none"><li>• Other Taxes on International Trade and Transactions</li></ul>	When liability for tax or fee is incurred
<b>Domestic Levies on Goods and Services</b>	
<ul style="list-style-type: none"><li>• Business and Professional Licenses</li></ul>	Upon initial application and, if appropriate, when renewed
<ul style="list-style-type: none"><li>• Other Taxes on Goods and Services</li></ul>	Upon delivery of goods and services
<ul style="list-style-type: none"><li>• Motor Vehicle Tax</li></ul>	Upon initial application and due date for annual renewal
<ul style="list-style-type: none"><li>• Tourist Accommodation Tax</li></ul>	When monthly return is due
<ul style="list-style-type: none"><li>• Miscellaneous Stamp Duty</li></ul>	At the time the goods are delivered
<ul style="list-style-type: none"><li>• Miscellaneous Immigration Fees</li></ul>	Upon application
<b>Taxes on Property</b>	
<ul style="list-style-type: none"><li>• Land Transfer Duty</li></ul>	At time of transfer of ownership
<ul style="list-style-type: none"><li>• Infrastructure Fund Fee</li></ul>	For non-refundable fees, upon application for planning approval
	For refundable fees, once planning approval is granted



<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
<b>Other</b>	
• Court Fines	When fine imposed
• Other Fines	When fine imposed
• Other Revenue	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.

### *Investment Revenue*

Income from investment is recognised when the right to receive payment has been established and/or 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 recognized 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 contract transfers substantially all risks and rewards related to an asset incidental to the ownership thereof, the contract is classified as a 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.

### **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 consolidated 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.

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.

Unissued currency notes stock is stated at cost. Only the cost of issued notes into circulation is expensed, on a FIFO basis.



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.

Water inventory is calculated at the cost of water plus chemicals multiplied by the volume of water.

Costs are assigned to inventories using a first-in first-out (FIFO) basis or weighted average cost basis as appropriate.

### **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 turtles that are either reared for slaughter or breeding.

#### *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.

### **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. Where an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Financial Performance in the year in which the asset is acquired.

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, 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.

<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

### 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 |
|----------------------|--------------|



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.

### **Investment Property**

This is stated at cost less accumulated depreciation and impairment losses. Depreciation on investment property is charged to the Statement of Financial Performance on a straight-line basis at 2% which approximate to a useful life of 50 years.

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 and administered by the Public Service Pension Board (the "Board"). Contributions of 12% - employer 6% and employee 6% are made to the Fund by the 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 Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government and in the Statement of Financial Performance for any contributions made during the period.

With the introduction of the National Pension Law 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 25 Employee Benefits.

### **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 the balance sheet date;
- Plus any actuarial gains (less any actuarial losses) not recognised as income or expense; and
- Minus any past service costs not yet recognised as an expense; and
- Minus the fair value at the balance date 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, prepayments 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.

#### **Measurement**

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are



recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

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

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.

#### **Derecognition**

A financial asset is derecognised 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 derecognised 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 recognized amounts and there is an intention to settle on a net basis, or to realize 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 or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired 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 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 recognized 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 recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

#### **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.

The Public Management and Finance Law (2014 Revision), as amended ("the Law" or "PMFL"), 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 that 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.

#### **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.

#### **Commitments**

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into as at 30<sup>th</sup> June.

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
- 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

The financial statements include a prior year comparison of actual amounts with amounts in the current year. 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 and the Office of Director of Public Prosecutions 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.

### **Related Parties**

Related party relationships and transactions are disclosed in accordance with IPSAS 20-Related Party Disclosures and are defined by the following criterion:

- Related party relationships where control exists, regardless of whether there have been transactions between the related parties;
- Transactions between related parties including the nature of the relationship, the type of transaction and the elements of the transactions necessary for an understanding of the 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;
- 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 Legislative Assembly, 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 2013/2014	Description	EPS 2014/2015
CI\$000		CI\$000
605	Cash on Hand	876
72,146	Operational Accounts - KYD	84,344
19,546	Operational Accounts - USD	31,864
10,615	Other Bank Accounts	10,758
20,855	Fixed Deposits (Less than 90 days)	18,054
161,670	Short Term Investments	264,341
<b>285,437</b>	<b>Cash and Cash Equivalents (excluding bank</b>	<b>410,238</b>
<b>(4,255)</b>	<b>Less Overdrafts</b>	<b>(3,803)</b>
<b>281,182</b>	<b>Cash and Cash Equivalents</b>	<b>406,435</b>

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

EPS 2013/2014	Description	EPS 2014/2015
CI\$000		CI\$000
168,032	Unrestricted Cash	279,399
113,150	Restricted Funds	127,036
<b>281,182</b>	<b>Cash and Cash Equivalents</b>	<b>406,435</b>

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



### Note 3: Trade Receivables

Core 2013/2014	EPS 2013/2014	Description	Core 2014/2015	EPS 2014/2015
CI\$000	CI\$000		CI\$000	CI\$000
39,682	22,989	Coercive Revenue Receivable	28,881	15,699
17,190	94,445	Non-Coercive Receivable	14,610	114,534
<b>56,872</b>	<b>117,434</b>	<b>Total Trade Receivables</b>	<b>43,491</b>	<b>130,233</b>
(22,553)	(81,013)	Less: Provision for Doubtful Debts	(17,307)	(98,525)
<b>34,319</b>	<b>36,421</b>	<b>Net Trade Receivables</b>	<b>26,185</b>	<b>31,707</b>

### Movement in Provision and Impairment

Core 2013/2014	EPS 2013/2014	Description	Core 2014/2015	EPS 2014/2015
CI\$000	CI\$000		CI\$000	CI\$000
(8,193)	(41,669)	Balance at 1 July	(22,553)	(81,013)
(14,509)	(35,358)	Additional provisions made during the year	4,488	(20,654)
149	3,986	Receivables written off during the period	758	3,142
<b>(22,553)</b>	<b>(81,013)</b>	<b>Provision for Doubtful Debts</b>	<b>(17,307)</b>	<b>(98,525)</b>

## Note 4: Other Receivables

Core 2013/2014	EPS 2013/2014	Description	Core 2014/2015	EPS 2014/2015
CI\$000	CI\$000		CI\$000	CI\$000
460	557	Advances	58	396
1,071	1,071	Dishonoured Cheques	912	912
2,694	-	Dividends Receivable	2,319	-
34	258	Interest Receivable	-	31
-	923	Deposits/Advances - Long Term Other Receivables	-	-
280	2,073	Other Receivable	1,038	11,217
<b>4,539</b>	<b>4,882</b>	<b>Total Other Receivables</b>	<b>4,327</b>	<b>12,556</b>
(500)	(773)	Less: provision for doubtful debts	(57)	(57)
<b>4,039</b>	<b>4,109</b>	<b>Net Other Receivables</b>	<b>4,270</b>	<b>12,500</b>

## Movement in Provision and Impairment

Core 2013/2014	EPS 2013/2014	Description	Core 2014/2015	EPS 2014/2015
CI\$000	CI\$000		CI\$000	CI\$000
-	(25)	Balance at 1 July	(500)	(773)
(500)	(748)	Additional provisions made during the year	443	716
<b>(500)</b>	<b>(773)</b>	<b>Provision for Doubtful Debts</b>	<b>(57)</b>	<b>(57)</b>

## Maturity profile

Core 2013/2014	EPS 2013/2014	Description	Core 2014/2015	EPS 2014/2015
CI\$000	CI\$000		CI\$000	CI\$000
4,039	3,186	Other Receivables due in one year	4,270	12,500
-	923	Other Receivables due after one year	-	-
<b>4,039</b>	<b>4,109</b>	<b>Net Total Other Receivables</b>	<b>4,270</b>	<b>12,500</b>

## Note 5: Inventories

EPS 2013/2014	Description	EPS 2014/2015
CI\$000		CI\$000
694	Raw Materials (including consumable stores)	1,207
2,721	Inventory held for use in the provision of goods and services	2,968
1,135	Other Inventories for use within one year	107
1319	Water Inventory	1,312
8871	Pharmaceutical and Medical Supplies	6,028
1,438	Inventory of Unissued Currency Notes and Coins	2,489
882	Coins awaiting melt-down, Coins for resale and Bullions	700
2,274	Affordable Houses	1,906
<b>19,334</b>	<b>Total Inventories</b>	<b>16,718</b>
Managed by:		
CI\$000		CI\$000
3,385	Central Government	2,843
15,949	Statutory Authorities & Government Companies	13,875
<b>19,334</b>	<b>Total Inventories</b>	<b>16,718</b>

### Maturity profile

EPS 2013/2014	Description	EPS 2014/2015
CI\$000		CI\$000
19,334	Inventories for use in one year	16,718
<b>19,334</b>	<b>Total Inventories</b>	<b>16,718</b>

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

## Note 6: Loans Made

EPS 2013/2014	Description	EPS 2014/2015
CI\$000		CI\$000
12,802	Medical Loans	12,618
356	Mortgage Loans	299
74	Home School Association	74
547	Loans (due within 12 months)	571
36,452	Commercial Loans	35,015
217	Private Schools	179
440	Citizens Association	-
<b>50,888</b>	<b>Total Loans Made</b>	<b>48,755</b>
<u>(18,114)</u>	<u>Less: Provision for Impairment Losses</u>	<u>(18,285)</u>
<b>32,774</b>	<b>Net Loans Made</b>	<b>30,470</b>
<b>Managed by:</b>		
CI\$000		CI\$000
1,219	Central Government	1,865
31,555	Statutory Authorities & Government Companies	28,605
<u><b>32,774</b></u>	<u><b>Total Net Loans Made</b></u>	<u><b>30,470</b></u>

### Movement in Provision and Impairment

EPS Net 2013/2014	Description	EPS Net 2014/2015
CI\$000		CI\$000
(18,793)	Balance at 1 July	(18,114)
679	Additional provisions made during the year	(611)
-	Write off of Loans Made during the period	440
<u><b>(18,114)</b></u>	<u><b>Provision for Impairment Losses</b></u>	<u><b>(18,285)</b></u>

### Maturity Profile

EPS Net 2013/2014	Description	EPS Net 2014/2015
CI\$000		CI\$000
1,668	Amounts due within 12 months	571
31,106	Amounts due after 1 year	29,899
<u><b>32,774</b></u>	<u><b>Total Net Loans Made</b></u>	<u><b>30,470</b></u>



**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 30<sup>th</sup> June 2015, the Government had investments amounting to \$102.1 million.

Short -Term Investments		
EPS Net 2013/2014	Description	EPS Net 2014/2015
Ci\$000		Ci\$000
79,990	Marketable Securities and Deposits	65,216
180	Interest Receivable	169
<b>80,170</b>	<b>Short-Term Investments</b>	<b>65,385</b>
Long-Term Investment		
EPS Net 2013/2014	Description	EPS Net 2014/2015
Ci\$000		Ci\$000
18,581	Marketable Securities	35,861
591	Caribbean Development Bank	591
240	Cayman First Insurance Limited	240
<b>19,412</b>	<b>Long-Term Investments</b>	<b>36,692</b>
<b>99,582</b>	<b>Total Investments</b>	<b>102,077</b>
Investment Held by:		
881	Central Government	915
98,701	Statutory Authorities & Government Companies	101,162
<b>99,582</b>	<b>Total Investment</b>	<b>102,077</b>

### 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 23<sup>rd</sup> July 2015 and 15<sup>th</sup> June 2016, Federal Reserve Repurchase Agreement with a maturity date 1<sup>st</sup> July 2015, and Fixed Deposits with maturity dates over 90 days but within 365 days.

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

EPS Net 2013/2014	Description	EPS Net 2014/2015
Ci\$000		Ci\$000
17,500	US Treasury Bills	16,413
29,083	Federal Reserves repurchase Agreement at 0.07%	31,750
24,913	US Treasury Notes	7,395
3,508	AAA Corporate bonds	1,337
-	US Fed Farm Disc Note	4,156
4,986	Fixed Deposits (over 90 days but within 365 days)	4,165
180	Interest receivable	169
<b>80,170</b>	<b>Short-Term Investments</b>	<b>65,385</b>

### Long-Term Investments

Long term investment in marketable securities are held in US Treasury Notes, AAA Corporate Bonds and US Government Sponsored Enterprise (GSE), and are stated at market value, with interest rates ranging from 0.0433% to 3.25% and maturity dates between 30 June 2016 and 20 October 2042.

EPS Net 2013/2014	Description	EPS Net 2014/2015
Ci\$000		Ci\$000
6,336	1-5 years	29,689
2,675	6-10 years	-
9,570	Over 10 years	6,172
<b>18,581</b>	<b>Long-Term Investments</b>	<b>35,861</b>

### 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.

Sections 32(8) of the Cayman Islands Monetary Authority Law (2011 Revision) mandates the preservation of Currency Reserve Assets, separately from all other assets of the 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 Law, 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 30<sup>th</sup> June 2015, the value of Currency Reserve Assets was \$105.8 million (2014: \$102.6 million) representing 111.51% (2014: 111.88%) of total Demand Liabilities. The value of external assets equated to 105.19%% (2014: 105.88%) while the value of local assets as at 30<sup>th</sup> June 2015 equated to 6.32% (2015: 6.01%) of Demand Liabilities.

#### **Caribbean Development Bank**

This represents a holding of 117 shares at a cost of US\$6,031.74 each.

#### **Cayman First Insurance Limited**

The Government holds 16% 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 Net 2013/2014	EPS Net 2013/2014	Description	Core Net 2014/2015	EPS Net 2014/2015
CI\$000	CI\$000		CI\$000	CI\$000
2,712	5,448	Prepayments	2,935	8,456
6,128	6,737	Prepaid Insurance	4,598	5,087
<b>8,840</b>	<b>12,185</b>	<b>Total Prepayments</b>	<b>7,533</b>	<b>13,543</b>

### Maturity Profile

Core Net 2013/2014	EPS Net 2013/2014	Description	Core Net 2014/2015	EPS Net 2014/2015
CI\$000	CI\$000		CI\$000	CI\$000
8,840	12,185	Prepayments due in one year	7,533	13,543
<b>8,840</b>	<b>12,185</b>	<b>Total Prepayments</b>	<b>7,533</b>	<b>13,543</b>

## Note 9: Biological Assets

EPS Net 2013/2014 CI\$000	Description	EPS Net 2014/2015 CI\$000
	Livestock, at fair values:	
1,096	Secondary herd	1,101
332	Breeder herd	336
<b>1,428</b>	<b>Biological Assets</b>	<b>1,437</b>
	Held by:	
CI\$000		CI\$000
	- Central Government	-
1,428	Statutory Authorities & Government Companies	1,437
<b>1,428</b>	<b>Total Biological Assets</b>	<b>1,437</b>

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

EPS Net 2013/2014 CI\$000	Description	EPS Net 2014/2015 CI\$000
933	Carrying value at beginning of year	1,096
68	Change attributable to differences in fair values	(24)
494	Biological transformation	499
(399)	Sales, at year end fair values	(470)
163	Net change in biological assets included in income	5
<b>1,096</b>	<b>Carrying value at end of year</b>	<b>1,101</b>

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

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

EPS Net 2013/2014 CI\$000	Description	EPS Net 2014/2015 CI\$000
595	Carrying value at beginning of year	332
(263)	Net (decrease)/increase during the year	4
<b>332</b>	<b>Carrying value at end of year</b>	<b>336</b>

Net additions during the year comprise the costs attributable to new breeders added, weight gained during the year, less mortalities. During the years ended 30<sup>th</sup> June 2015 one new breeder (2014: one) was added to the herd and thirty-seven turtles (2014: 37)



were transferred to the secondary herd. As of 30<sup>th</sup> June 2015 there was \$500,000 insurance coverage associated with the livestock.

***Measurement of fair values:***

**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 and bone that can be yielded as well as the current selling prices for these items. The expected cash flows are reduced for the expected processing costs.

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

## 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 and Sidewalks	Water reticulation	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction or development	Total Property Plant and Equipment
Balance as at 1 July 2013	573,244	43,483	489,875	21,638	25,223	7,861	5,035	40,636	18,705	702,113	92,756	37,161	4,477	8,432	195,406	2,266,045
Additions	1,400	1,061	2,426	979	2,239	329	222	975	1,240	-	32	2,196	-	10,447	18,795	42,342
Revaluations	101,546	-	624	-	-	-	-	-	-	-	-	-	-	-	-	102,170
Disposal/ Derecognition	-	(515)	(25)	(650)	(1,284)	(1,456)	(33)	(6,669)	(387)	-	(1,465)	(1,961)	(22)	-	(4)	(14,471)
Transfers	-	13,439	102,766	7	5,981	76	401	(1,551)	357	-	1,768	(3,239)	1,182	1,638	(114,916)	7,909
Balance as at 30 June 2014	676,190	57,469	595,667	21,974	32,159	6,811	5,625	33,389	19,916	702,113	93,090	34,157	5,637	20,517	99,280	2,403,995
Balance as at 01 July 2014	676,190	57,469	595,667	21,974	32,159	6,811	5,625	33,389	19,916	702,113	93,090	34,157	5,637	20,517	99,280	2,403,995
Additions	(179)	1,918	4,559	194	2,457	461	467	2,583	(29)	-	1,556	3,783	277	1,511	21,872	41,460
Revaluations	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	0
Disposal/ Derecognition	-	(523)	(110)	(671)	(3,543)	(218)	(127)	(439)	(311)	-	-	(1,272)	(95)	-	(7)	(7,316)
Transfers	-	684	10,253	(37)	116	42	-	1	(9)	-	1,646	2,867	(596)	-	(6,665)	8,301
Balance as at 30 June 2015	676,011	59,548	610,368	21,460	31,219	7,096	5,964	35,534	19,567	702,113	96,292	39,535	5,223	22,028	114,481	2,446,440

Accumulated Depreciation and impairment losses

	Land	Plant and equipment	Buildings	Furniture and Office Equipment	Computer Hardware	Office Equipment	Leasehold Improvements	Other assets	Infrastructure	Roads and Sidewalks	Water reticulation	Motor Vehicles	Marine Vessels	Aircraft	Assets under construction or development	Total
Balance as at 1 July 2013	-	28,289	94,379	14,496	20,657	6,466	2,739	27,663	4,514	11,702	33,844	31,463	1,403	3,534	-	281,149
Eliminate on Disposal/Derecognition	-	(497)	3,912	(562)	(1,351)	(1,561)	9	(7,865)	(329)	-	(1,119)	(1,707)	(22)	-	-	(11,092)
Transfers	-	7,734	(5,967)	626	4,619	50	247	(44)	4,365	3,777	-	(3,321)	744	590	-	13,420
Depreciation Expense	-	3,166	17,368	1,135	2,418	461	178	2,557	930	8,187	3,211	1,379	259	835	-	42,086
Impairment	-	-	-	-	(163)	-	-	-	-	-	-	(24)	-	-	-	(187)
Balance as at 30 June 2014	-	38,692	109,692	15,695	26,181	5,416	3,174	22,311	9,479	23,666	35,936	27,789	2,384	4,959	-	325,376
Balance as at 01 July 2014	-	38,692	109,692	15,695	26,181	5,416	3,174	22,311	9,479	23,666	35,936	27,789	2,384	4,959	-	325,376
Eliminate on Disposal/Derecognition	-	(1,878)	1,615	(741)	(1,730)	(813)	(3)	(3,227)	262	944	0	809	(95)	0	-	(4,856)
Transfers	-	(23)	8,923	68	(6)	(25)	-	(11)	(33)	-	-	(189)	(320)	-	-	8,364
Depreciation Expense	-	3,765	17,807	1,083	1,921	820	178	5,659	854	9,333	3,116	1,926	300	2,369	-	49,131
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2015	-	40,555	138,038	16,105	26,366	5,398	3,349	24,732	10,563	33,943	39,033	30,336	2,269	7,329	-	378,036
Net Book value 30 June 2013	573,244	15,195	395,497	7,142	4,566	1,395	2,295	12,972	14,152	690,411	58,911	5,698	3,074	4,898	195,406	1,984,896
Net Book value 30 June 2014	676,190	18,777	485,975	6,278	5,978	1,395	2,451	11,078	10,436	678,447	57,154	6,388	3,253	15,558	99,280	2,078,619
Net Book value 30 June 2015	676,011	18,993	472,331	5,355	4,853	1,698	2,615	10,802	9,004	668,170	57,239	9,199	2,954	14,699	114,481	2,068,405

## Pledged Assets

The Statutory Authorities and Government-Owned Companies have pledged a number of assets that secured loans as detailed below.

Agency	Asset Class	Carrying Value/ Registered Charge as at 30 June 2015
		CI\$000
Port Authority	Land and Buildings	26,000
Health Services Authority	Land and Buildings	2,632
Water Authority	Buildings	4,292
Cayman Islands Development Bank	Buildings	490

## Revaluation

Property was revalued as at 1<sup>st</sup> July 2012 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 recognized initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Financial Performance in the year in which the asset is acquired.

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:

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 has only been included in the valuation of building assets where this forms 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 Cayman there is no tax on property save as to 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.

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

The Port Authority of the Cayman Islands (PACI) engaged BCQS to provide a professional appraisal of the fair value of the assets owned by the Port Authority as at 30<sup>th</sup> June 2014. The valuations were received subsequent to year end and upon review, it was determined that a second professional opinion should be obtained before any action is taken regarding adjusting the asset values that PACI currently have in its books.

The overall opinion of the appraisers is that the fair value of PACI's assets total \$43.7M. PACI currently carries these assets in our books at \$57.7M under the historical cost convention. This leaves a gap of \$14M. However, PACI has depreciated these assets over the years amounting to \$15.6M, so we are effectively carrying the assets at a value of \$42.2M. Although based on the valuations received there is an upward movement of \$1.5M in the final analysis on the carrying value of the assets, management believes strongly that several areas need a second opinion before we can conclude on the results.

Consequently, no action was taken on these valuations. PACI will seek to have a second valuation done by firms with expertise in Marine / Port valuations within the course of 2015/16.

## Note 11: Intangible Assets

Entire Public Sector  
C1'000

### Cost of Intangible Asset

	Computer Software	Other Intangible Assets	Intangible Assets under construction or development	Total
Balance as at 1 July 2013	13,292	50	163	13,505
Additions	1,075	12	141	1,228
Revaluations	-	-	-	-
Disposal/ Derecognition	(94)	-	-	(94)
Transfers	4,023	-	(6)	4,018
Balance as at 30 June 2013	18,297	62	299	18,657

Balance as at 01 July 2014	18,297	62	299	18,657
Additions	2,543	-	(177)	2,366
Revaluations	-	-	-	-
Disposal/ Derecognition	(667)	(12)	-	(679)
Transfers	21	-	-	21
Balance as at 30 June 2014	20,194	50	121	20,365

### Accumulated Amortization and impairment losses

	Computer Software	Other Intangible Assets	Intangible Assets under construction or development	Total
Balance as at 1 July 2013	8,569	12	-	8,581
Eliminate on Disposal/Derecognition	155	-	-	155
Transfers	3,673	-	-	3,673
Amortization Expense	1,199	13	-	1,212
Impairment	267	-	-	267
Balance as at 30 June 2014	13,863	25	-	13,888

Balance as at 01 July 2014	13,863	25	-	13,888
Eliminate on Disposal/Derecognition	(356)	-	-	(356)
Transfers	(9)	-	-	(9)
Amortization Expense	1,268	12	-	1,280
Impairment	-	-	-	-
Balance as at 30 June 2014	14,766	37	-	14,803

Net Book value 30 June 2013	4,723	38	163	4,924
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Net Book value 30 June 2014	4,433	37	299	4,769
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Net Book value 30 June 2015	5,428	13	121	5,562
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## Note 12: Investment Property

EPS Net 2013/2014 CI\$000	Description	EPS Net 2014/2015 CI\$000
<b>Cost</b>		
19,893	Balance as at 1 July	19,903
10	Additions	2
<b>19,903</b>	<b>Total Cost</b>	<b>19,906</b>
<b>Accumulated Depreciation</b>		
3,263	Balance as at 1 July	3,699
436	Charge for Year	434
<b>3,699</b>	<b>Total Accumulated Depreciation</b>	<b>4,133</b>
<b>16,204</b>	<b>Net Book value</b>	<b>15,772</b>
<b>Managed by:</b>		
CI\$000		CI\$000
-	Central Government	-
16,204	Statutory Authorities & Government Companies	15,772
<b>16,204</b>	<b>Total Loans Made</b>	<b>15,772</b>

Investment Property consist of retail shops which are leased.

Management received an independent professional appraisal of the Investment Property from BCQS as at 30<sup>th</sup> June 2015. The fair value of the investment property was indicated at CI\$24.5 million. Despite this, Management decided to retain the historical cost basis of accounting for the Investment Property.

Management has decided to obtain a second valuation due to factors identified by management and discussions with the valuers. This will be pursued in the 2015/2016 financial year.

EPS Net 2013/2014 CI\$000	Description	EPS Net 2014/2015 CI\$000
1,188	Rental income from investment properties	1,159
1,294	Direct operating expenses arising from investment property that generated rental revenue during the period	1,131
	Direct operating expenses arising from investment property - that did not generate rental revenue during the period	-

### Note 13: Trade Payables, Other Payables & Accruals

Core Net 2013/2014	EPS Net 2013/2014	Description	Core Net 2014/2015	EPS Net 2014/2015
Ci\$000	Ci\$000		Ci\$000	Ci\$000
16,625	27,369	Trade Payables	12,322	30,163
1,287	2,890	Payroll Deductions	759	7,294
34,755	36,327	Accruals	25,462	25,981
1	1	Trust liabilities	1	1
29	2,088	Transfers payable	12	185
4,106	4,779	Interest	3,942	4,170
6	3,879	Operating Leases	-	-
12,507	-	Core government trade with other public entities	17,861	-
2,011	-	Amounts due to public entities	2,017	-
3,681	3,681	Owing to trusts	3,668	3,668
8,782	9,472	Other Payables	2,394	8,417
<b>83,790</b>	<b>90,486</b>	<b>Total Trade Payables, Accruals and Other Payables</b>	<b>68,439</b>	<b>79,880</b>

### Maturity Profile

Core Net 2013/2014	EPS Net 2013/2014	Description	Core Net 2014/2015	EPS Net 2014/2015
Ci\$000	Ci\$000		Ci\$000	Ci\$000
82,985	90,279	Current	68,380	79,683
805	207	Non-current	59	197
<b>83,790</b>	<b>90,486</b>	<b>Total Other Payables and Accruals</b>	<b>68,439</b>	<b>79,880</b>

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.

Included in Operating Leases are Cayman Airways Limited lease obligation for aircraft leases \$Nil (2014: \$3.8 million).

## Note 14: Unearned Revenue

EPS Net 2013/2014	Description	EPS Net 2014/2015
CI\$000		CI\$000
1,757	Customer Security Deposits	2,019
18,562	Immigration Deposits	18,353
16,994	Revenue and Other Deposits Held	19,866
<b>37,313</b>	<b>Total Unearned Revenue</b>	<b>40,238</b>
<b>Held by</b>		
CI\$000		CI\$000
25,272	Central Government	26,173
12,041	Statutory Authorities & Government Companies	14,064
<b>37,313</b>	<b>Total Unearned Revenue</b>	<b>40,238</b>

### Maturity Profile

EPS Net 2013/2014	Description	EPS Net 2014/2015
CI\$000		CI\$000
37,313	Current	40,238
<b>37,313</b>	<b>Total Unearned Revenue</b>	<b>40,238</b>



## Note 15: Employee Entitlements

Core Net 2013/2014	EPS Net 2013/2014	Description	Core Net 2014/2015	EPS Net 2014/2015
Ci\$000	Ci\$000		Ci\$000	Ci\$000
5,077	6,475	Annual Leave	6,422	7,901
121	121	Retirement and long service leave	-	-
638	921	Salary & Wages	486	848
1,396	1,650	Other	1,613	1,658
<b>7,232</b>	<b>9,167</b>	<b>Total Employment Entitlement</b>	<b>8,521</b>	<b>10,407</b>

### Maturity Profile

Core Net 2013/2014	EPS Net 2013/2014	Description	Core Net 2014/2015	EPS Net 2014/2015
Ci\$000	Ci\$000		Ci\$000	Ci\$000
7,111	9,046	Current	8,521	10,407
121	121	Non-current	-	-
<b>7,232</b>	<b>9,167</b>	<b>Total Employment Entitlement</b>	<b>8,521</b>	<b>10,407</b>

### 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

The Government, under the provisions of the Public Service Management Law, is obligated to provide post-retirement benefits to qualified employees in the form of health care and pension.

The Government participates in various pension schemes. The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group 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.

### Pensions

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 funding valuation and ii) pension accounting valuation for liability fair value presentations.

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

### Pension Liability Fair Value Presentations

IPSAS 25 – Employee Benefits 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 do this annual fair value assessment. The amounts recognised by the Central Government emanate from the 2007/08 valuation as shown in the table below.

	2014/2015	2013/2014	2012/2013	2011/2012
	CI\$000	CI\$000	CI\$000	CI\$000
Core Government	183,794	183,794	183,794	183,794
Statutory Authorities and Government Companies	30,791	29,262	15,473	12,777
<b>Total Public Service Pension</b>	<b>214,585</b>	<b>213,056</b>	<b>199,267</b>	<b>196,571</b>
Judicial Pensions	(447)	(447)	(447)	(447)
Parliamentarian Pensions	12,910	12,910	12,910	12,910
<b>Entire Public Sector Pension Liability Fair Value</b>	<b>227,048</b>	<b>225,519</b>	<b>211,730</b>	<b>209,034</b>

The results of a pensions accounting valuation for Core Government, completed in September 2014, estimated the defined benefit pension obligation as at 30<sup>th</sup> June 2014 to be \$411 million with the pension expense totalling \$24 million for the year ended 30<sup>th</sup> June 2014. The assumptions of the actuarial valuation have not been accepted by the

Government and therefore the pension obligation and related expenditure has not been formally recognised on the Statements of Financial Position and Performance.

### **Pensions Funding Valuation**

Actuarial valuations with an effective date of 1<sup>st</sup> January 2011, to determine future contribution requirements, were conducted for three separate Plans; the Public Service Pensions Plan, the Parliamentary Pensions Plan and the Judiciary Pensions Plan.

The actuarial valuation calculated a fund deficiency of \$178.3 million as at January 1, 2011. This represents fund deficiencies arising from participants having accrued considerable defined benefit entitlements prior to the establishment of the pension fund.

### **Principal Assumptions**

The principal assumptions (excluding the estimated retirement age which varied with each Plan) used in the computation of the actuarial estimate of the pension liability for each of the three named Pension Plans are as follows:

- (a) Annual salary increases of 3.5%;
- (b) Long term inflation rate of 2.5% per annum;
- (c) Valuation interest rate to discount future benefit payments of 8%;
- (d) Expected long-term rate of return on the Fund's invested assets of 8%;
- (e) Anticipated future pensions payments increases of 2.5% per annum; and
- (f) Estimated retirement age of 55 years for the Parliamentary Pensions Plan, 57 years for the Public Service Pensions Plan, and 65 years for the Judiciary Pensions Plan.



## Public Service Pensions Plan Actuarial Valuation

Actual Prior Year	Details	Actual Current Year
2013/2014		2014/2015
CI\$000	Defined Benefit Plan	CI\$000
206,050	Value of pension fund allocated assets	206,050
331,720	Past service liability (no projection of pay)	331,720
371,910	Past service liability (with projection of pay)	371,910
165,860	Actuarial deficiency (with projection of pay)	165,860
	Defined Contribution	
103,820	Assets = liabilities	103,820
CI\$000	Combining Defined Benefit and Contribution Plans	CI\$000
309,870	Value of pension fund allocated assets	309,870
475,730	Past service liability (with projection of pay)	475,730
	Fund Ratio (assets/Public service liability)	
55%	Defined Benefit Plan	55%
65%	Defined Benefit & Contribution Plans combined	65%

### Future contribution requirement

In order to sustain the Fund, contributions for defined contribution participants need to be 12.4% or \$19.3 million per year of salary and wages.

The contribution needed for defined benefit participants is required to be \$25.1 million based on cost plus amortization of the actuarial deficiency over a 20 year period.

Based on the above, the total annual cost, based on the active pensionable payroll is estimated at \$44.4 million or 20.9% of salary and wages.

## Judicial Pension Fund Plan Actuarial Valuation

Actual Prior Year	Details	Actual Current Year
2013/2014		2014/2015
CI\$000		CI\$000
2,735	Value of pension fund allocated assets	2,735
2,288	Past service liability (with projection of pay)	2,288
447	Actuarial Surplus	447
120%	Fund Ratio (assets/Public service liability)	120%

The annual contribution necessary in order to accumulate sufficient funds at retirement age in order to meet the value of expected benefits due to the participants of this plan is 10.6% for the defined benefit part and 30% for the defined contribution part of the plan, totalling \$0.104 million.

## Parliamentarian Pensions Plan Actuarial Valuation

Actual Prior Year	Details	Actual Current Year
2013/2014		2014/2015
CI\$000		CI\$000
3,740	Value of pension fund allocated assets	3,740
16,000	Past service liability (no projection of pay)	16,000
16,650	Past service liability (with projection of pay)	16,650
12,910	Actuarial deficiency (with projection of pay)	12,910
22%	Fund Ratio (assets/Public service liability)	22%

### Future contribution requirement

The contribution requirement on the basis of normal cost plus amortisation of the actuarial deficiency over the next 20 years is \$1.8 million for the year commencing 1<sup>st</sup> January 2011, or 96.4% annually of the pensionable payroll of defined benefit participants.

The total annual plan funding costs for 2011, based on active pensionable payroll as of 1<sup>st</sup> January 2011, is therefore estimated at \$1.9 million or 96.4% of total pay for both defined benefit and defined contribution participants.

### Post-Retirement Health Care

In addition to the Past Service Pension Liability, the Government is also obligated to provide future health care 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 health care benefit upon retirement. However, the Public Service Management Law 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 health care liability actuarial valuation, completed in September 2014, estimated the post-retirement health care obligation as at 30<sup>th</sup> June 2014 to be \$1.2 billion with the post-retirement medical expense totalling \$117 million for the year ended 30<sup>th</sup> June 2014. The assumptions of the actuarial valuation have not been accepted by the Government and therefore the post-retirement health care obligation and related expenditure has not been formally recognised on the Statements of Financial Position and Performance.

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 health care liability.

## Note 17: Borrowing / Public Debt

Description	Opening Balance 1st July 2014	Drawdowns/ Additions	Repayments	Revaluation	Closing Balance 30th June 2015
	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
Core	548,933		25,370	(241)	523,322
Water Authority of the Cayman Islands	11,582		2,357		9,225
Port Authority of the Cayman Islands	4,811		1,629		3,183
Cayman Islands Development Bank	36,986	30,574	35,039		32,521
Health Services Authority	1,866		235		1,631
National Housing Development Trust	18,186		1,206		16,980
Cayman Airways Limited	26,464		1,881		24,583
Cayman Islands Turtle Farm (1983) Limited	22,419		4,191		18,229
<b>Total</b>	<b>671,247</b>	<b>30,574</b>	<b>71,908</b>	<b>(241)</b>	<b>629,672</b>

### Maturity Profile

Core Net 2013/2014 \$'000	EPS 2013/2014 \$'000		Core Net 2014/2015 \$'000	EPS 2014/2015 \$'000
<i>Local Currency Debt</i>				
-	850	Not later than one year	-	874
-	1,126	Between one and two years	-	891
-	2,442	Between two and five years	-	1,394
-	6,723	Later than five years	-	7,132
-	11,141	<b>Total Local Currency Debt</b>	-	10,291
<i>Foreign Currency Debt (stated in \$CI)</i>				
25,338	63,276	Not later than one year	20,943	30,028
19,978	44,622	Between one and two years	34,904	50,542
95,429	128,946	Between two and five years	317,491	353,882
408,187	422,828	Later than five years	149,984	184,929
548,932	659,672	<b>Total Foreign Currency Debt</b>	523,322	619,381
548,932	670,813	<b>Total Outstanding Debt</b>	523,322	629,672
<i>Local Currency Marketable Securities and Deposits</i>				
-	6,158	Not later than one year	-	4,165
-	-	Between one and two years	-	-
-	-	Between two and five years	-	-
-	-	Later than five years	-	-
-	6,158	<b>Total Local Currency Marketable Securities and Deposits</b>	-	4,165
<i>Foreign Currency Marketable Securities and Deposits (stated in CI\$)</i>				
-	75,004	Not later than one year	-	61,051
-	-	Between one and two years	-	-
-	6,336	Between two and five years	-	29,689
-	12,245	Later than five years	-	6,172
-	93,585	<b>Total Foreign Currency Marketable Securities and Deposits</b>	-	96,912
-	99,743	<b>Less :Total Marketable Securities and Deposits</b>	-	101,077
548,932	571,070	<b>Net Public Debt</b>	523,322	528,595
Core Net 2013/2014 \$'000	EPS 2013/2014 \$'000		Core Net 2014/2015 \$'000	EPS 2014/2015 \$'000
25,338	64,126	Current Portion	20,943	30,902
523,594	606,687	Non-current Portion	502,379	598,770
548,932	670,813	<b>Total Debt</b>	523,322	629,672



## Note 18: Provisions

EPS Net 2013/2014	Description	EPS Net 2014/2015
CI\$000		CI\$000
317	Provision for health claims incurred but not yet reported	8,990
10,667	Other Provisions	2,667
<b>10,987</b>	<b>Total Provisions</b>	<b>11,657</b>

Movement in Provisions		
EPS Net 2013/2014	Description	EPS Net 2014/2015
CI\$000		CI\$000
14,901	Balance at 1 July	10,987
-	Additional provisions made during the year	670
(3,914)	Provisions utilised during the year	-
<b>10,987</b>	<b>Provision for Impairment Losses</b>	<b>11,657</b>

Maturity Profile		
EPS Net 2013/2014	Description	EPS Net 2014/2015
CI\$000		CI\$000
10,987	Current	11,657
<b>10,987</b>	<b>Total Provisions</b>	<b>11,657</b>

### Provision for Claims Incurred

Management 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. Management uses 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 in force. 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 Law to submit any claims within 180 days of date of service. Thus, any reserve estimates are normally settled within a year.