



CAYMAN ISLANDS  
GOVERNMENT

Entire Public Sector

# Annual Report

30th June 2016



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## KEY FINANCIAL HIGHLIGHTS

For the fourth consecutive year the Government of the Cayman Islands posted a Surplus; a Surplus of \$148.5 million was achieved by the Entire Public Sector (the EPS), for the year ended 30 June 2016 (2015/16). For the prior year that ended 30 June 2015, the EPS achieved a Surplus of \$146.7 million.

Growth in EPS total revenues of 6% was outstripped by the growth in total expenditures, which grew by 7%. Revenue increased mainly due to an 8% increase in coercive fees while personnel costs increased by 13% and was the main contributor to the growth in total expenditure.

Actual EPS Surplus results out-performed the EPS original budget by \$28.7 million for the financial year 2015/16.

The Government's financial position remains strong as:

Net Assets (total Assets less all recognised Liabilities) were \$1.2 billion as at 30 June 2016. EPS debt declined by 6% based on no new borrowings during the financial year and debt repayments of \$36.5 million.

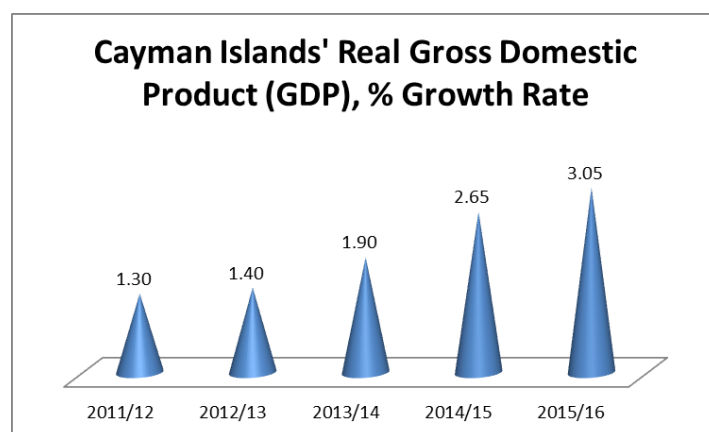
For the first time since 2012 the Government achieved full compliance with the Framework for Fiscal Responsibility (FFR) as required by the Foreign and Commonwealth Office and the Public Management and Finance Law (PMFL) (2017 Revision), for prudent fiscal management.

In the last three consecutive years, total contributions from Statutory Authorities and Government Companies, (SAGCs) have been positive. As at 30 June 2016, SAGCs posted a net surplus of \$18.2 million (2014/15: \$21.8 million and 2013/14: \$4.8 million). Cost management initiatives, increased air and cruise tourist arrivals together with declining fuel prices contributed to the robust operating results of SAGCs in the 2015/16 financial year.

## ECONOMIC OVERVIEW

The improvement in EPS performance during the financial year 2015/16, particularly the overall operating revenue, occurred against the backdrop of an improving economic environment characterised by a sustained recovery in the Country's Gross Domestic Product (GDP), reduction in the general price level, and lowering of the unemployment rate.

Since the financial year ended 2011/12, the total value of the goods and services produced in the Country or GDP grew by an annual average of 2.1%, with growth in the past two fiscal years of 2.65% and 3.05% for financial year 2014/15 and financial year 2015/16 respectively. The latter two financial years mark the strongest performance of the economy since 2007.

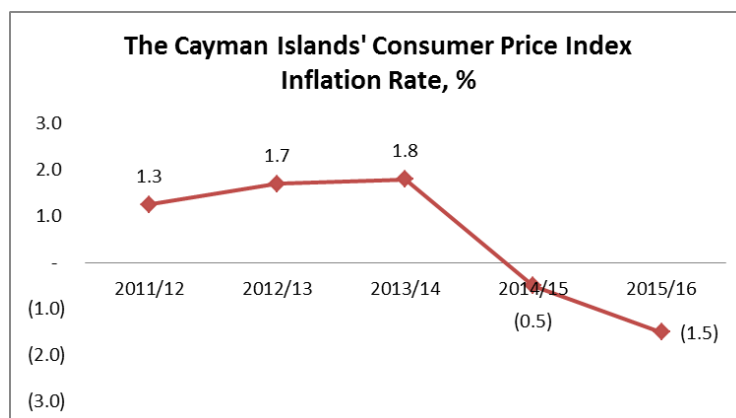


Source: Economics and Statistics Office

Economic growth in financial year 2015/16 was broad-based as all sectors improved on their contribution to GDP compared to financial year 2014/15 except for the hotels and restaurants industries which weakened slightly due to a slow-down (of the growth) in the flow of stay-over visitors. The industries with the highest expansion rates were construction (7.8%); mining & quarrying (7.5%); human health and social work (7.2%); and professional, scientific and technical activities, mainly legal and accounting services (4.2%). The financial services sector remains the largest contributor to the local economy with a 41.0% share in the overall GDP; in financial year 2015/16, this sector was expanded by 2.1%, its strongest performance since the financial year 2006/2007. Based on available data, the financial services sector contributes the largest share in the Central Government's revenue.

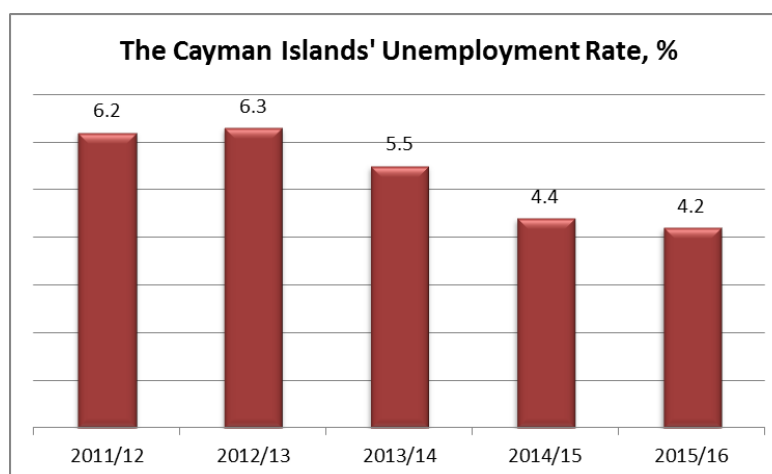
The economic expansion in the past two fiscal years took place without inflationary pressure on domestic prices. In the financial year 2015/16, the average Consumer Price Index (CPI) fell by 1.5%, following the deflation in the previous year. This is traced mainly to the global oil price reduction which pushed down fuel-related costs for transport and the production of electricity. There was also a slowdown in the expansion of Central Government spending which helped in easing any surge in domestic demand and curbed price inflation. The cost-pushed decline in CPI (along with a reduction in

EPS indebtedness), tempered the rise in domestic nominal interest rates amidst a sustained increase in demand for domestic credit by the private sector.



Source: Economics and Statistics Office

With the expansion in domestic production of goods and services, employment increased. The overall unemployment rate was reduced to 4.2% in financial year 2015/16, the lowest since 2008. The unemployment rate among Caymanians dropped sharply from 7.1% in financial year 2014/15 to 6.7% in the financial year 2015/16. In the public sector, available data as at end December 2015 shows that total employment in the sector reached 6,342 persons or 16.2% of total employment.



Source: Economics and Statistics Office

## PERFORMANCE OVERVIEW

### What is the Government's primary source of revenue?

The primary source of revenue is coercive revenue, which was 71% of total public sector revenue in 2015/16 (2014/15: 70%), while sale of goods and services represented 28% and 29%, respectively. The following tables and chart show total public sector revenue:

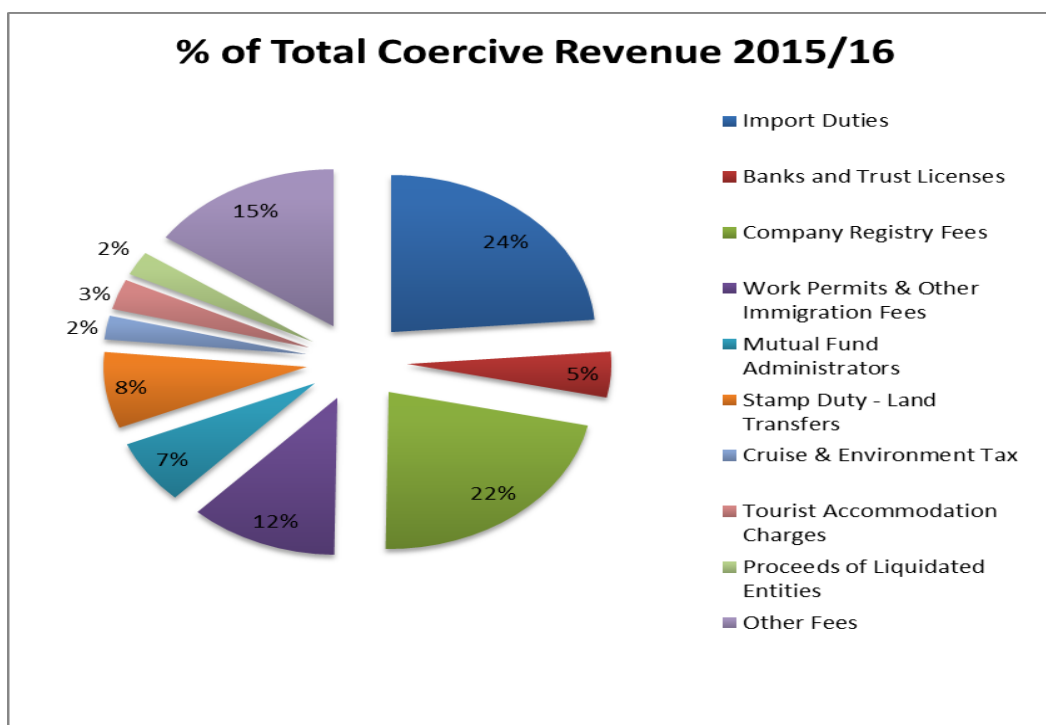
DESCRIPTION	EPS Actual CI\$000		% of Total Revenue	
	2015/16	2014/15	2015/16	2014/15
Coercive Revenue	673,261	623,503	71%	70%
Sales of Goods & Services	261,390	261,478	28%	29%
Investment Revenue	5,669	4,700	1%	1%
Donations	931	1,081	0%	0%
Other Revenue	2,771	300	0%	0%
<b>Total Revenue</b>	<b>944,022</b>	<b>891,062</b>	<b>100%</b>	<b>100%</b>

The primary type of coercive revenue is import duties, representing 24% of total coercive revenue in financial year 2015/16 (2014/15: 25%). Coercive revenues are those revenues collected by Government under its coercive powers authorised under various laws passed by the Legislative Assembly (e.g. import duties, work permit fees, bank license fees, etc.) and for which there is no direct exchange of any goods or services. See table below showing total coercive revenue:

DESCRIPTION	EPS Actual CI\$000		% of Total Coercive Revenue	
	2015/16	2014/15	2015/16	2014/15
Import Duties	159,834	156,393	24%	25%
Company Registry Fees	146,863	140,739	22%	23%
Work Permits & Other Immigration Fees	79,364	79,914	12%	13%
Stamp Duty - Land Transfers	52,987	38,967	8%	6%
Mutual Fund Administrators	44,544	43,139	7%	7%
Banks and Trust Licenses	31,592	32,795	5%	5%
Tourist Accommodation Charges	21,134	20,643	3%	3%
Proceeds of Liquidated Entities	16,652	-	2%	0%
Cruise & Environment Tax	16,494	15,409	2%	2%
Other Fees	103,797	95,505	15%	15%
<b>Total Coercive Revenue</b>	<b>673,261</b>	<b>623,503</b>	<b>100%</b>	<b>100%</b>

The table above also shows that fees collected from the financial services industry (bank and trust licenses, company registry fees, and mutual fund administrator fees) is a significant portion of Government revenue; these fees represented 33% of total coercive revenue and 35% of total public sector revenue as at 30 June 2016.





#### What does Government Spend on Providing Services and Operating costs?

The most significant elements of expenditure were the cost of employing staff in the public sector and supplies and consumables purchased to meet operational requirements. Personnel costs represented 50% of total expenditure as at 30 June 2016, which is typical for service based organizations. See table below of total public sector expenses:

DESCRIPTION	EPS Actual CI\$000		% of Total Public Sector Expenses	
	2015/16	2014/15	2015/16	2014/15
Personnel costs	400,116	352,795	50%	47%
Supplies and consumables	223,896	231,567	28%	31%
Depreciation	53,851	50,846	7%	7%
Outputs from Non-Governmental Organizations	32,538	29,445	4%	4%
Transfer Payments	30,251	27,274	4%	4%
Other Operating Expenses	24,316	19,192	3%	3%
Financing expense	31,007	33,280	4%	4%
<b>Total Expenses</b>	<b>795,975</b>	<b>744,399</b>	<b>100%</b>	<b>100%</b>

#### What does Government Pay to Finance its Liabilities?

The most significant element of financing costs as at 30 June 2016 was Debt financing expense of \$31.0 million. This consists of interest paid on bank borrowings and to bond holders.

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

<b>Assets</b>	<b>EPS Actual C\$000</b>	
	<b>2015/16</b>	<b>2014/15</b>
Property Plant and Equipment	1,732,843	2,068,405
Investments	438,511	102,077
Cash and Cash Equivalents (including Bank Overdraft)	231,415	406,435
Trade Receivables	32,165	31,707
Loans Made	30,285	30,470

### **Property, Plant and Equipment**

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

### **Investments**

Correspondingly, Investments increased due to the shift of longer term fixed deposits. Over 75% of investments consist of fixed deposits (over 90 days and within 365 days) with US Treasuries, AA corporate bonds and other investments at less than 25%. Core Government investments of \$320 million as at 30 June 2016 represents over 73% of total investments, with the SAGCs holding less than 27%. The majority of the \$118 million investments held by SAGCs form part of the Currency Reserve Assets of the Cayman Islands Monetary Authority. These assets are to be used to fund the Authority's currency redemption obligations. See Note 7 of the EPS accounts.

### **Cash and Cash Equivalents**

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

### **Trade Receivables**

The majority of the trade receivables are non-coercive revenue receivables held by SAGCs. SAGCs held 67% of trade receivables as at 30, June 2016 while less than 33% were held by Core Government. See Note 3 of the EPS accounts.

The table below shows gross trade receivables of \$143.8 million as at 30 June 2016 less provision for doubtful debts \$111.6 million resulting in net trade receivables of \$32.2 million (2014/15: \$31.7 million).

Additional provisions for doubtful debts of \$14.6 million was incurred during financial year 2015/16 (2014/15: \$20.6 million) with the majority against doubtful trade receivables in the SAGCs. Included in the EPS totals below are Core Government's net trade receivables of \$10.6 million (gross receivables of \$23.5 million less provision of \$12.9 million):

Description	EPS Actual \$'000	
	2015/16	2014/15
Coercive revenue Receivable	6,287	15,698
Non-Coercive Receivable	137,466	114,534
<b>Total Trade Receivables</b>	<b>143,753</b>	<b>130,232</b>
Less: Provision for Doubtful Debts	(111,588)	(98,525)
<b>Net Trade Receivables</b>	<b>32,165</b>	<b>31,707</b>

### Loans Made

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

### What are the Main Liabilities of Government?

The table below shows the main liabilities of the entire public sector:

Liabilities	EPS Actual CI\$'000	
	2015/16	2014/15
Borrowings/Public Debt	593,191	629,672
Retirement Benefits	481,283	227,048
Currency Issued	106,876	94,887
Unearned Revenue	65,282	40,238
Other Payables & Accruals	62,830	49,717
Trade Payables	20,213	30,163

## Public Sector Debt

To finance its activities and obligations, the government borrows from the market to ensure sufficient funding is available to meet its daily cash requirements and financial commitments. Government borrowing comprises long-term borrowing in the form of commercial bank loans and a bond issued in 2009. There has been no new borrowing during the financial year. See table of public sector debt below:

Description	Opening Balance 1st July 2015	Drawdowns/ Additions	Repayments	Revaluation	Closing Balance 30th June 2016
	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
Core	523,322	-	20,003	(1)	503,318
Water Authority of the Cayman Islands	9,225	-	5,298	-	3,926
Port Authority of the Cayman Islands	3,183	-	1,430	-	1,753
Cayman Islands Development Bank	32,521	-	312	-	32,209
Health Services Authority	1,631	-	242	-	1,389
National Housing Development Trust	16,980	-	1,237	-	15,743
Cayman Airways Limited	24,583	-	4,215	-	20,368
Cayman Islands Turtle Farm (1983) Limited	18,229	-	3,742	-	14,486
<b>Total</b>	<b>629,672</b>	<b>-</b>	<b>36,480</b>	<b>(1)</b>	<b>593,191</b>

*See Note 17 of the EPS Accounts.*

## Public Service Retirement Benefits

The other significant liability is public service retirement benefits which consist of \$449.5million of pension liability and \$31.7 million of post-retirement healthcare liability for some SAGCs. Pension liability reflects pensions that will be paid out over employees' lifetimes as current employees in the public service retire and start to draw their pension, funded by future revenues or pension scheme assets; see pension liability by category below:

### Pension Liability

Description	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
	CI\$000				
Core Government	398,622	183,794	183,794	183,794	183,794
Parliamentarian Pensions	17,030	12,910	12,910	12,910	12,910
Judicial Pensions	124	(447)	(447)	(447)	(447)
Central Government Pension Liability Fair Value	415,776	196,257	196,257	196,257	196,257
Statutory Authorities and Government Companies	33,719	30,791	29,262	15,473	12,777
<b>Entire Public Sector Pension Liability Fair Value</b>	<b>449,495</b>	<b>227,048</b>	<b>225,519</b>	<b>211,730</b>	<b>209,034</b>

*See Note 16 of the EPS Accounts.*

### Pensions Funding Valuation

The actuarial valuation calculated a fund deficiency of \$226 million as at January 1, 2014, using a discount rate of 7%. This represents fund deficiencies arising from participants having accrued considerable defined benefit entitlements prior to the establishment of the pension fund.

## Future Contribution Requirements

In order to sustain the Fund, contributions for defined contribution participants need to be 12.4% or \$23.19 million per year of salary and wages.

The contribution needed for defined benefit participants is required to be \$29.87 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 \$53.06 million or 15.04% of salary and wages.

The Government in June 2016 approved and paid additional lump sum contribution into the fund of \$18 million.

## Health Care Liability

The results of health care liability actuarial valuation, completed in September 2016, estimated the post-retirement health care obligation as at 30th June 2016 to be \$1.7 billion with the post-retirement medical expense totalling \$141 million for the year ended 30th June 2016. 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.

## Currency Issued

Currency Issued (or Demand Liabilities) represents the value of currency notes and coins in circulation. These liabilities are fully funded by the Currency Reserve Assets of the Cayman Islands Monetary Authority. See note 19 of the EPS accounts.

## Unearned Revenue

Unearned revenue consists of revenues collected but not yet earned; see table of unearned revenue below:

Description	EPS Actual CI\$000	
	2015/16	2014/15
Customs Deposits	1,493	2,019
Immigration Deposits	26,411	18,353
Cayman Airways Deposits	8,966	9,013
General Registry Deposits	5,416	4,131
Lease of Crown Lands	14,220	11
Revenue and Other Deposits Held	8,776	6,711
<b>Total Unearned Revenue</b>	<b>65,282</b>	<b>40,238</b>

*See Note 14 of the EPS Accounts.*

### **Trade Payables, and Other Payable and Accruals**

Trade payables, and other payable and accruals are expenses incurred (service and or goods and supplies were received) but not paid before 30 June 2016; they are non – interest bearing and are normally settled on 30 days term. Accounts payable includes invoices received from suppliers not yet settled. See Note 13 of the EPS accounts.

## PERFORMANCE ANALYSIS

### Government Revenue and Expenditure

#### Revenue

	EPS Actual CI\$000		
Revenue	2015/16	2014/15	%change
Coercive Revenue	673,261	623,503	8%
Sales of Goods & Services	261,390	261,478	0%
Investment Revenue	5,669	4,700	21%
Donations	931	1,081	-14%
Other Revenue	2,771	300	824%
<b>Total Revenue</b>	<b>944,022</b>	<b>891,062</b>	<b>6%</b>

- Total EPS revenue increased by 6%, due mainly to an 8% increase in coercive revenue.
- Total coercive revenue increased by 8% which was due mainly to 2% increase in import duties, 4% increase in company registry fees, 36% increase in stamp duty on land transfers, and a 9% increase in other fees.
- Company registry fees increased mainly due to increases in company fees, partnership fees, mutual fund registration and securities and investments business licenses.
- Stamp duty on land transfer increased due mainly to sales of four major hotels during the financial year.

See five year trend table on coercive revenue below:

DESCRIPTION	EPS Actual CI\$000				
	2011/12	2012/13	2013/14	2014/15	2015/16
Import Duties	159,923	169,113	161,670	156,393	159,834
Banks and Trust Licenses	23,373	33,511	34,225	32,795	31,592
Company Registry Fees	54,828	62,145	134,355	140,739	146,863
Work Permits & Other Immigration Fees	97,759	107,557	71,278	79,914	79,364
Mutual Fund Administrators	34,717	41,893	45,140	43,139	44,544
Stamp Duty - Land Transfers	23,254	35,422	30,502	38,967	52,987
Cruise & Environment Tax	13,468	13,946	13,695	15,409	16,494
Tourist Accommodation Charges	11,783	14,105	18,725	20,643	21,134
Proceeds of Liquidated Entities	-	-	-	-	16,652
Other Fees	67,983	82,485	102,027	95,505	103,797
<b>Total Coercive Revenue</b>	<b>487,088</b>	<b>560,177</b>	<b>611,617</b>	<b>623,503</b>	<b>673,261</b>

*See Note 21 of the EPS Accounts.*

Proceeds of Liquidated Entities – the 2015 amendment to the Public Management and Finance Law allowed the Government to recognise in revenue any trust asset that remained unclaimed for a period of four years after having become transferable to any person entitled to the asset.

## EXPENDITURE

Total EPS expenditure increased by 7% mainly due to the 13% increases in total personnel costs; see tables below of total expenses and with changes in personnel costs:

DESCRIPTION	EPS Actual C\$000		% of Total Public Sector Expenses	
	2015/16	2014/15	2015/16	2014/15
Personnel costs	400,116	352,795	50%	47%
Supplies and consumables	223,896	231,567	28%	31%
Depreciation	53,851	50,846	7%	7%
Outputs from Non-Governmental Organizations	32,538	29,445	4%	4%
Transfer Payments	30,251	27,274	4%	4%
Other Operating Expenses	24,316	19,192	3%	3%
Financing expense	31,007	33,280	4%	4%
<b>Total Expenses</b>	<b>795,975</b>	<b>744,399</b>	<b>100%</b>	<b>100%</b>

Description	EPS Actual C\$000		
	2015/16	2014/15	% Change
Salaries, Wages and Allowances	333,653	311,157	7%
Health Care	7,625	6,692	14%
Pension	19,713	17,396	13%
Leave	552	421	31%
Defined Benefit Pension Liability	25,389	10794	135%
Post Retirement Health Care Liability	5,868	-	100%
Other Personnel Costs	7,316	6,335	15%
<b>Total Personnel Costs</b>	<b>400,116</b>	<b>352,795</b>	<b>13%</b>

*See Note 25 of the EPS Accounts.*

### Personnel Costs

Salaries and wages, up 7%, accounted for the largest increase in personnel expense (from \$311.2 to \$333.7 million), and the majority of that change took place in Core Government; Core Government represented 65% (2014/15: 67%) of total EPS personnel costs.

Salaries and wages increased mostly due to the cost of living adjustment of 4% and the one-time honorarium payment of 2.2%, a pay stagnation payment adjustment for teachers and police and customs officers, and staff redundancy packages.

The increase in salaries and wages was also impacted by the 2% increase in the total number of full-time equivalent public servants as at 30 June 2016 compared to the prior year; the main contributors to increased headcount were Ministry of Education, up 62, District Administration Tourism and Transport, up 31, and Community Service, Sports, up by 19 full-time equivalents.



## Supplies and Consumables

Supplies and consumables declined by 3% compared to prior year due to savings of: 6% in supplies and materials; 14% in utilities; 14% in insurance; and 11% in other expenses. See table of details of supplies and consumables below:

Description	EPS Actual CI\$000		
	2015/16	2014/15	% Change
Supplies and Materials	48,323	51,276	-6%
Purchase of services	95,491	92,909	3%
Utilities	20,760	24,011	-14%
General Insurance	11,606	13,567	-14%
Travel and Subsistence	4,232	2,600	63%
Recruitment & Training	3,365	2,641	27%
Other	32,245	36,218	-11%
<b>Total Supplies &amp; Consumables</b>	<b>216,022</b>	<b>223,222</b>	<b>-3%</b>

*See Note 26 of the EPS Accounts.*

## Outputs from Non-Government Organisations

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

Total purchase of outputs from NGOs in 2015/16 was \$32.4 million. The largest category of these payments was for the provision of tertiary care by overseas organisations for referred persons, which totalled \$17.4 million or 53% of Outputs from Non-Government Organizations. See note 28 for more information on outputs to NGOs.

## Transfer Payments

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

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

In the 2015/16 financial year, the Government of the Cayman Islands made transfer payments of \$30.2 million (2014/15: \$27.3 million); included in this amount was \$10.8 million (2014/15: \$9 million) in local and overseas education scholarships, \$7.3 million (2014/15: \$6.6 million) in Poor Relief, \$6.2 million (2014/15: \$6.2 million) in benefit payments to seamen and ex-servicemen. See Note 29 of the EPS accounts.

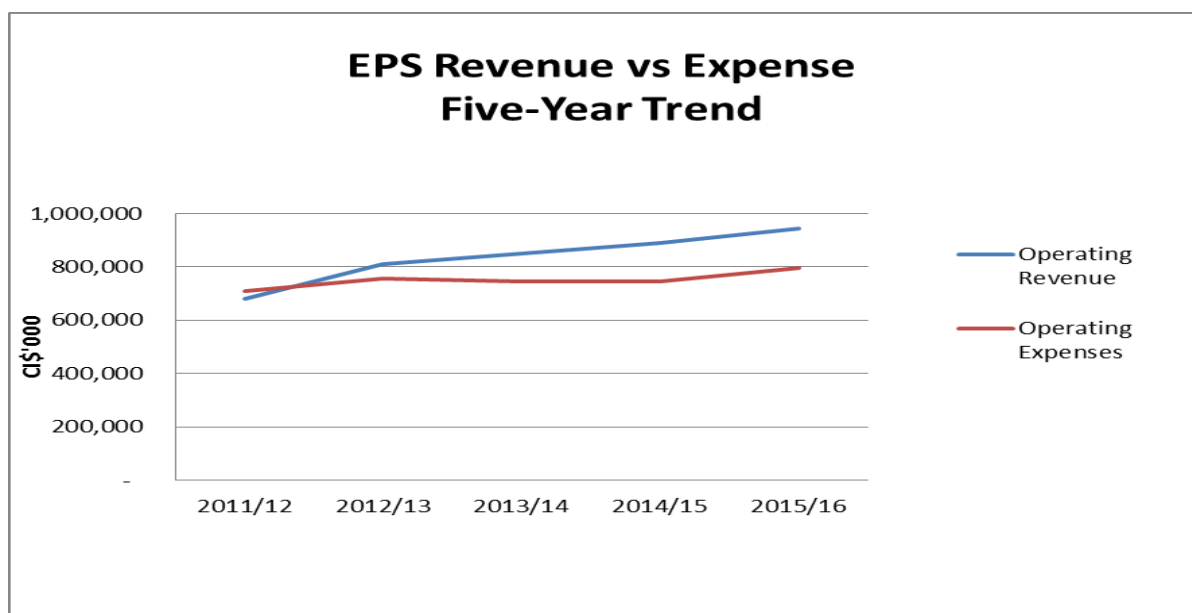
## Financing Expenses

Financing costs of \$31 million (2014/15: \$33.3 million) declined by 7% due mainly to the decrease in public debt balances, lower re-negotiated interest rates with lending institutions, and early repayment of debt by the Water authority.

## Net Revenue or Surplus (Revenue less Expenses)

The surplus for the financial year ended 30 June 2016 was \$148.5 million (2014/15: \$146.7 million), an increase of 1%. See table and chart of revenue and expenditure summary for five years below:

DESCRIPTION	EPS Actual CI\$000					% Change 2014/15 to 2015/16
	2011/12	2012/13	2013/14	2014/15	2015/16	
Coercive Revenue	487,088	560,177	611,617	623,503	673,261	8%
Sales of Goods & Services	189,761	245,935	234,165	261,478	261,344	0%
Investment Revenue	2,321	2,636	2,336	4,700	5,669	21%
Donations	145	1,401	1,203	1,081	931	-14%
Other Revenue	599	144	101	300	2,817	839%
<b>Total Revenue</b>	<b>679,914</b>	<b>810,293</b>	<b>849,422</b>	<b>891,062</b>	<b>944,022</b>	<b>6%</b>
Personnel costs	331,040	345,049	352,316	352,795	400,116	13%
Supplies and consumables	201,512	246,785	236,842	231,567	223,896	-3%
Depreciation	40,207	45,182	43,734	50,846	53,851	6%
Outputs from Non-Governmental Organizations	29,088	25,985	26,464	29,445	32,538	11%
Transfer Payments	32,870	32,277	31,130	27,274	30,251	11%
Other Operating Expenses	37,253	22,145	18,306	19,165	23,831	24%
Financing expense	39,143	39,221	35,816	33,280	31,007	-7%
<b>Total Expenses</b>	<b>711,113</b>	<b>756,644</b>	<b>744,608</b>	<b>744,372</b>	<b>795,490</b>	<b>7%</b>
<b>Net Revenues/Surplus</b>	<b>(31,199)</b>	<b>53,649</b>	<b>104,814</b>	<b>146,690</b>	<b>148,532</b>	<b>1%</b>



## Government Assets and Liabilities

### Net Assets/Equity (Assets minus Liabilities)

Net assets declined from \$1.6 billion in 2014/15 to \$1.2 billion, a decrease of 25%. See table with five year trend in key assets and liabilities below:

DESCRIPTION	EPS C\$000					% Change
						2014/15 to
Assets	2011/12	2012/13	2013/14	2014/15	2015/16	2015/16
Cash and Cash Equivalents (including Bank Overdraft)	157,275	196,013	281,182	406,435	231,415	-43%
Trade Receivables	48,721	48,864	26,185	31,707	32,165	1%
Investments	110,388	98,884	99,582	102,077	438,511	330%
Loans Made	36,598	34,542	32,774	30,470	30,285	-1%
Property Plant and Equipment	2,058,506	2,105,054	2,078,619	2,068,405	1,732,843	-16%
<b>Liabilities</b>						
Borrowings/Public Debt	745,191	709,760	671,247	629,672	593,191	-6%
Retirement Benefits	220,696	221,509	219,290	227,048	481,283	112%
Currency Issued	88,696	87,229	91,720	94,887	106,876	13%
Unearned Revenue	32,133	33,054	37,313	40,238	65,282	62%
Other Payables & Accruals	49,501	52,748	63,942	49,717	62,830	26%
Trade Payables	29,142	25,454	27,369	30,163	20,213	-33%

The movements in key assets and liabilities are set out below:

### Assets

Total assets as at 30 June 2016 was \$2.5 billion (2014/15: \$2.7 billion), a decrease of 17%; this decrease was attributable to non-current assets in property plant and equipment, specifically, the value of road and sidewalks declined by \$266 million when compared to the prior year. An inaccurate valuation amount included in the 2012/13 accounts was subsequently corrected in this financial year.

### Cash & Cash Equivalents and Investments

Cash and cash equivalents as at 30 June 2016 of \$231 million (2014/15: \$406 million) declined by 43% as shorter term fixed deposits were shifted into another category of short-term investments with maturities over 90 days but no more than 365 days.

As at 30 June 2016, 23% (2014/15: 31%) of cash and cash equivalents were restricted; which represented the Currency Board's reserve requirements. See table of cash and cash equivalents below:

EPS Actual C\$000		
Description	2015/16	2014/15
Cash on hand and in operational accounts	126,610	124,040
Fixed Deposits (Less than 90 days)	104,805	282,395
<b>Cash and Cash Equivalents</b>	<b>231,415</b>	<b>406,435</b>
<b>Held by</b>		
Central Government	89,096	271,384
Statutory Authorities & Government Companies	142,319	135,051
<b>Cash and Cash Equivalents</b>	<b>231,415</b>	<b>406,435</b>

## Investments

The increase in short term investments was as a result of the shift of fixed deposits into longer term maturities. See table of investments below:

EPS Actual C\$000		
Description	2015/16	2014/15
Short-Term Investments	433,314	65,385
Long-Term Investments	5,197	36,692
<b>Total Investments</b>	<b>438,511</b>	<b>102,077</b>
<b>Held by</b>		
Central Government	320,353	915
Statutory Authorities & Government Companies	118,158	101,162
<b>Total Investments</b>	<b>438,511</b>	<b>102,077</b>

Overall, Central Government's cash and cash equivalents and investments increased by over \$137 million compared to the prior year. The increase in cash enabled the Government to meet its fiscal strategy and ensure compliance with the FFR.

## Liabilities

On the other hand total liabilities as at June 30, 2016 of \$1.4 billion (2014/15: \$1.1 billion) increased by 23% which was mainly due to an increase in the retirement benefits liability of \$254 million or 112%.

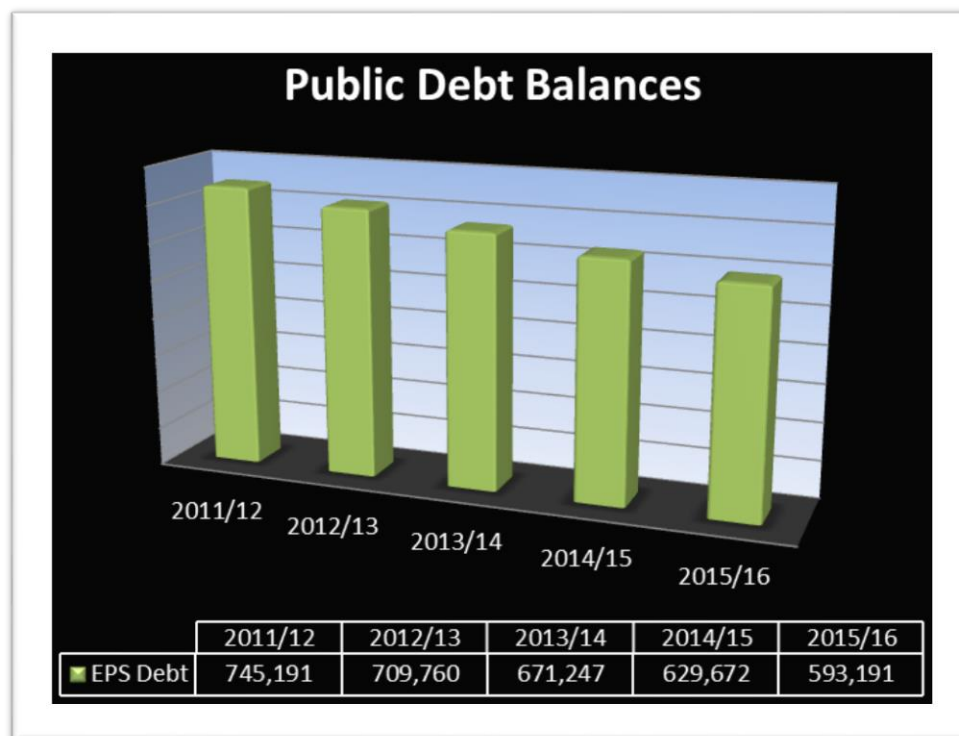
### Retirement Benefits Liability

Retirement benefits liability increased due to initial recognition of the 2016 pension actuarial valuation.

IPSAS 25 – 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 result of the 2016 actuarial valuation is a net liability of \$449.5 billion (central government net liability - \$415.8 billion).

## Public Sector Debt

The decline in public sector debt of \$36.5 million, from \$629.7 million to \$593.2 million, helped to offset the increase in currency reserves, up \$12 million, and unearned revenue, up \$25 million. See chart on public sector debt below:



Public debt continued to decline as principal repayments of \$36.5 million were applied and no new borrowing was added.

## Currency reserves

Currency reserves increased due to increased amounts of notes and coins in circulation.

## Unearned revenue

Unearned revenues represent cash collected but not earned as at 30 June 2016. Unearned revenue increased mostly in:

Immigration deposits, up \$8 million due mostly to funds received for permanent residency applications that have not yet been processed; and

Lease of crown lands, up \$14 million (relates to the extension of peppercorn leases for two hotels up to 99 years (extended by 66 and 65 years respectively).

## Contingent Liabilities

A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Contingent liabilities 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.

The government discloses contingent liabilities in note 35 of the EPS annual accounts in two categories, environmental remediation and legal proceedings and disputes. The environmental remediation liability is as a result of the operation of waste landfills on all three Islands. The capping of these landfills is currently out to tender.

The Government is routinely engaged in litigation arising in the ordinary course of its business. It does not believe that any such litigation will individually or in aggregate, have a material adverse financial effect on the Government. It is Government's policy to rigorously assert its position in such cases. Should the Government be unsuccessful in these matters, it does not expect the outcome to materially affect the results of operations or financial position.

Contingent liabilities resulting from legal proceeding and disputes totalled \$10.8 million as at 30 June 2016 (2014/15: \$12.9 million). In addition there were proceedings involving a number of Statutory Authorities and Government Companies that are detailed in Note 35.

## Guarantees

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

Description	Weighting Applied	Guaranteed Balance as at 30 June 2016 C/\$000	Loan Balance as at 30 June 2016 C/\$000
Cayman Islands Turtle Farm (1983) Limited	80%	11,589	14,486
Cayman Airways Limited	80%	16,294	20,368
Water Authority of the Cayman Islands	20%	785	3,926
Cayman Islands Development Bank	50%	16,105	32,209
Port Authority of the Cayman Islands	20%	351	1,753
National Housing Development Trust	80%	12,594	15,743
		<b>57,717</b>	<b>88,484</b>

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

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

## Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into as at 30 June 2016. Total commitments increased by 134%, from \$38 million to \$ 89 million as at 30, June 2016; this was mainly due to increased capital commitments relating to:

- The new John Gray campus construction project and other capital purchase commitments; and,
- The airport expansion project.

Operating commitments relating to non-cancellable accommodation leases also increased from \$7.4 million to \$16.9 million as at June 30, 2016 due mainly to new leases for the Ministries of District Administration, Tourism and Transport, Community Affairs, Youth and Sports, and Finance & Economic Development.

Other operating commitments declined by \$8 million due to: correction of the prior year commitment schedule of \$6.5 million as no contract or commitment had been entered as at 30 June 2015 by the Ministry of Education; and, the reduction of prior year operating leases of \$1.5 million at Health Services Authority relating to the expiry of a three year contract for the off-site storage and management of clinical and financial electronic data on 30 June 2016. See table of commitments below:

	One Year or Less	One to Five Years	Over Five Years	30 June 2016	30 June 2015
Type	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
<b>Capital Commitments</b>					
Capital Commitments	32,271	37,132	-	69,403	18,636
<b>Total Capital Commitments</b>	<b>32,271</b>	<b>37,132</b>	<b>-</b>	<b>69,403</b>	<b>18,636</b>
<b>Operating Commitments</b>					
<b><i>Non-Cancellable Accommodation Leases</i></b>					
Accommodation leases	10,540	4,587	1,753	16,880	7,356
<b><i>Other Non-Cancellable Leases</i></b>					
Land Lease	52	289	105	446	418
Premises Lease	74	9	-	83	331
Aircraft Leases	706	907	-	1,614	2,611
Licensing Agreement	135	24	-	159	-
<b><i>Other Operating Commitments</i></b>					
Other Operating Commitments	-	347	-	347	8,405
<b>Total Operating Commitments</b>	<b>11,507</b>	<b>6,164</b>	<b>1,858</b>	<b>19,529</b>	<b>19,120</b>
<b>Total Commitments</b>	<b>43,779</b>	<b>43,295</b>	<b>1,858</b>	<b>88,932</b>	<b>37,756</b>

*See Note 34 of the EPS Accounts*

## BUDGET ANALYSIS

Actual EPS total revenue out-performed the original budget by \$55.4 million or 6% as collection of coercive revenue exceeded expectations by 7%.

Total expenses exceeded the budget by \$13 million or 2% due mainly to the 3% additional spend in personnel costs.

Budget variances were overall impacted by the improved economy as revenues from import duties financial services fees increased, while additional personnel costs to provide public sector services increased due the one-time honorarium and pay stagnation for teachers, police and customs officers. See table of financial performance with actual results compared to the original and final budget below:

GOVERNMENT OF THE CAYMAN ISLANDS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016 ENTIRE PUBLIC SECTOR						
	Original Budget 2015/2016	Forecast 2015/16	Actual 2015/2016	Performance Difference Original Budget	Performance Difference Forecast	% Change Actual vs. Budget
	CI\$000					
<b>Revenue</b>						
Coercive Revenue	628,226	660,320	673,261	45,035	12,941	7%
Sales of Goods & Services	256,287	223,459	261,344	5,057	37,885	2%
Other Revenue	3,920	8,353	9,417	5,497	1,064	140%
<b>Total Revenue</b>	<b>888,433</b>	<b>892,132</b>	<b>944,022</b>	<b>55,589</b>	<b>51,890</b>	<b>6%</b>
<b>Expenses</b>						
Personnel Costs	377,083	384,361	400,116	23,033	15,755	-6%
Supplies and Consumables	206,225	200,870	223,896	17,671	23,026	-9%
Depreciation & Amortisation	47,905	49,159	53,851	5,946	4,692	-12%
Transfer Payments	32,555	32,717	30,251	(2,304)	(2,466)	7%
Other Executive Expenses	75,366	54,877	58,005	(17,361)	3,128	23%
Finance Costs	31,686	31,672	31,007	(679)	(665)	2%
<b>Total Expenses</b>	<b>770,820</b>	<b>753,656</b>	<b>797,126</b>	<b>26,306</b>	<b>43,470</b>	<b>-3%</b>
Total Other (Gains)/Losses	(2,207)	(2,147)	(1,636)	571	511	26%
<b>Surplus/(Deficit) for the period</b>	<b>119,820</b>	<b>140,623</b>	<b>148,532</b>	<b>28,712</b>	<b>7,909</b>	<b>24%</b>

*Forecast 2015/16 above reflects a projection to June 30, 2016 during May of 2016.*



## SEGMENT ANALYSIS

The table below shows the net amounts reported for each sector after the consolidation adjustments to eliminate transactions and balances between EPS entities have been taken into account.

GOVERNMENT OF THE CAYMAN ISLANDS FOR THE YEAR ENDED 30 JUNE 2016	Central Government	Statutory Authorities & Government Companies	Inter- government trade	EPS Actual 2015/2016
CI\$000				
<b>Revenue</b>				
Coercive Revenue	674,079	-	(818)	673,261
Sales of Goods & Services	35,828	282,108	(56,592)	261,344
Other Revenue	2,514	89,662	(82,759)	9,417
<b>Total Revenue</b>	<b>712,421</b>	<b>371,770</b>	<b>(140,169)</b>	<b>944,022</b>
<b>Expenses</b>				
Personnel Costs	263,586	170,168	(33,638)	400,116
Supplies and Consumables	87,889	143,907	(7,900)	223,896
Depreciation & Amortisation	33,686	20,165	-	53,851
Transfer Payments	30,251	-	-	30,251
Other Executive Expenses	141,448	15,176	(98,619)	58,005
Finance Costs	27,609	3,409	(11)	31,007
<b>Total Expenses</b>	<b>584,469</b>	<b>352,825</b>	<b>(140,168)</b>	<b>797,126</b>
<b>Other (Gains)/Losses</b>	<b>(20,580)</b>	<b>745</b>	<b>18,199</b>	<b>(1,636)</b>
<b>Surplus/(Deficit) for the period</b>	<b>148,532</b>	<b>18,200</b>	<b>(18,200)</b>	<b>148,532</b>
<b>Current Assets</b>				
Cash and Cash Equivalents	89,097	144,352	-	233,449
Trade Receivables & Other Receivables	23,929	66,593	(45,116)	45,405
Investments	319,522	115,820	(2,028)	433,314
Other Current Assets	8,507	22,511	(63)	30,956
<b>Total Current Assets</b>	<b>441,055</b>	<b>349,276</b>	<b>(47,207)</b>	<b>743,124</b>
<b>Non-Current Assets</b>				
Property, Plant and Equipment	1,431,199	301,644	-	1,732,843
Other Non-Current Assets	370,321	51,035	(365,060)	56,296
<b>Total Non-Current Assets</b>	<b>1,801,520</b>	<b>352,679</b>	<b>(365,060)</b>	<b>1,789,139</b>
<b>Total Assets</b>	<b>2,242,575</b>	<b>701,955</b>	<b>(412,267)</b>	<b>2,532,263</b>
<b>Current Liabilities</b>				
Trade Payables and Other Payables & Accruals	86,298	42,369	(45,828)	82,839
Bank Overdraft	-	2,034	-	2,034
Unearned Revenue	51,396	14,016	(129)	65,282
Retirement Benefits	29,400	3,912	-	33,312
Borrowings/Public Debts	35,727	12,694	(33)	48,388
Other Current Liabilities	8,607	16,015	(1,249)	23,374
<b>Total Current Liabilities</b>	<b>211,428</b>	<b>91,040</b>	<b>(47,239)</b>	<b>255,229</b>
<b>Non-Current Liabilities</b>				
Retirement Benefits	386,376	61,595	-	447,971
Borrowings/Public Debts	467,591	77,466	(254)	544,803
Currency Issued	-	106,876	-	106,876
Other Non-Current Liabilities	-	204	-	204
<b>Total Non-Current Liabilities</b>	<b>853,967</b>	<b>246,141</b>	<b>(254)</b>	<b>1,099,854</b>
<b>Total Liabilities</b>	<b>1,065,395</b>	<b>337,181</b>	<b>(47,493)</b>	<b>1,355,083</b>
<b>Net Assets</b>	<b>1,177,180</b>	<b>364,774</b>	<b>(364,774)</b>	<b>1,177,180</b>

EPS consolidated accounts include 16 core government agencies and 25 SAGCs (see tables of consolidated entities in Note 45 of the EPS accounts). While inter-agency charges between central governments agencies have been suspended, generally these entities and their key management personnel, transact business amongst them and with the Government reporting entity on a regular basis. Transactions between Ministries, Portfolios, Offices and Statutory Authorities and Government Agencies include health care, purchasing airline tickets, audit services, water, sewage and registration of vehicles. The Public Management and Finance Law (2015 Revision), as amended, requires that each Ministry, Portfolio, Office and Statutory Authority and Government Company report their financial activities separately and submit them for auditing both at the entity and executive level including the disclosure of all transactions with the Central Government and other related parties as appropriate in these individual financial statements.

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

As at 30 June 2016, 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 appointed by the Cabinet under the legislation that governs its operations.

Government purchased outputs of \$98.5 million (2014/15: \$94 million) in SAGCs during the financial year ended 30 June 2016, which yielded a contribution of \$18.2 million (2014/15 \$21.8 million) to the EPS surplus. Five (5) of these bodies are considered self-sufficient (Water Authority, Cayman Islands Airport Authority, Civil Aviation Authority, Cayman Islands Stock Exchange and the Port Authority) 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.

Government's total investment in its SAGCs was \$364.8 million (2014/15: \$331.8) as at 30 June 2016; this equity investment is:

- negatively impacted by net deficits of SAGCs over the years as well as dividends from SAGCs back to Central Government; and
- Positively impacted by net surpluses of SAGCs as well as additional equity investments by Central Government.

As at 30 June 2016 SAGCs, after a few years of losses, made a surplus in the last three consecutive financial years. See table below showing the five years trend of operating results for SAGCs:

DESCRIPTION	SAGCs Actual C\$000				
	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Deficit/Surplus of Public Entities</b>	<b>(12,914)</b>	<b>(2,721)</b>	<b>4,847</b>	<b>21,831</b>	<b>18,199</b>

Cost management initiatives, increased air and cruise tourist arrivals together with declining fuel prices contributed to the operating results of Statutory Authorities and Government Companies in the 2015/16 financial year.

Further information on segment reporting can be found in notes 39, 41 and 42 of the EPS accounts.

## KEY FINANCIAL ACCOMPLISHMENT

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

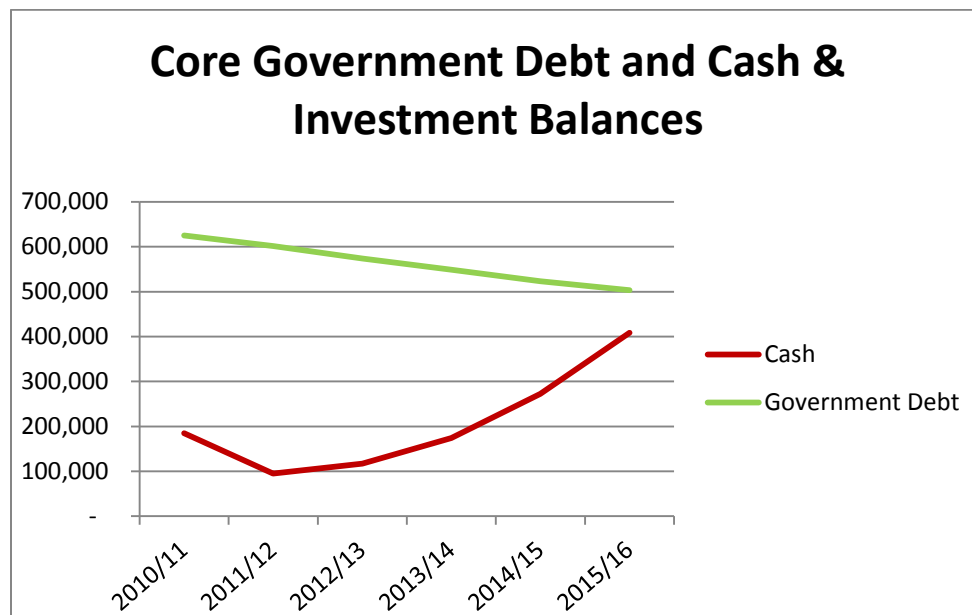
The Ministry of Finance enables the successful implementation of Government's fiscal policy; during the financial year 2015-2016 the Ministry's oversight and monitoring of the budgetary process; its preparation and analysis of monthly financial statements for the EPS; and its timely advice to Cabinet, enabled the Government to be fully compliant with the Framework for Fiscal Responsibility for the 2015-16 year. This ranks among the Ministry's and Government's major achievements during the year. See letter below:



The two key areas of the Framework that achieved compliance in the 2015/16 financial year were debt service ratio and cash reserves due mainly to reduction in debt balances and growth in cash and investments balances. See below table showing year-end cash (includes cash equivalents and investments) and debt balances for Core Government:

Core Government CI\$000						
Indicator	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Cash	184,708	95,222	117,045	173,901	272,315	408,619
Government Debt	625,215	601,581	573,850	548,933	523,322	503,318

The chart below depicts the narrowing of the gap between cash and debt balances for Core Government:



At June 30, 2016 investments in fixed deposits with maturity dates greater than 90 days at the time of placement were no longer reflected under Cash and Cash equivalents on the Statement of Financial Position.

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

**Principles of Responsible Financial Management**

Principle	2015/2016 Original Budget	Audited Actuals 2015/2016	Audited Actuals 2014/2015
	CI\$000s	CI\$000s	CI\$000s
<b>Operating Surplus: Should be positive</b> (Operating surplus = Central Government operating revenue - Central Government operating expenses)	<u>Complies</u> Surplus = \$119.8 million	<u>Complies</u> Surplus = \$130.3 million	<u>Complies</u> Surplus = \$124.9 million
<b>Net Worth: should be positive</b> (Net worth = Central Government assets – Central Government liabilities)	<u>Complies</u> Net Worth = \$1,699.5 million	<u>Complies</u> Net Worth = \$1,177.2 million	<u>Complies</u> Net Worth = \$1,610.8 million
<b>Borrowing: Debt servicing cost for the year should be no more than 10% of Central Government revenue</b> (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>Complies</u> Debt servicing = 9.9%	<u>Complies</u> Debt servicing = 9.4%	<u>Does not comply</u> Debt servicing = 18.6%
<b>Net Debt: should be no more than 80% of Central Government revenue</b> (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 = 45.5%	<u>Complies</u> Net Debt = 33.8%	<u>Complies</u> Net Debt = 61.3%
<b>Cash Reserves should be no less than estimated executive expenses for 90 days:</b> (Cash reserves = Central Government Unrestricted Cash at lowest point during FY + General Reserves)	<u>Complies</u> Cash reserves = 94.7 days	<u>Complies</u> Cash reserves = 109.1 days	<u>Does not comply</u> Cash reserves = 61.5days
<b>Financial risks should be managed prudently so as to minimize risk</b>	<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:

- Total core government revenue less total core government expenses (measured using generally accepted accounting practice) should be positive;
- Total core government assets less total core government liabilities (measured using generally accepted accounting practice) should be positive;
- borrowing should not exceed an amount for which the sum of interest, other debt servicing expenses, and principal repayments for a financial year are more than ten percent of core government revenue (calculated using generally accepted accounting practice) for that financial

year, where, for the purposes of this principle, borrowing is defined as all borrowing that is in the name of the Government regardless of whether it is serviced directly by the core government, a statutory authority or government company;

- Net debt should be no more than eighty percent of core government revenue, where, for the purposes of this principle, net debt is defined as:
  - Central government borrowing less core government liquid assets
  - Borrowing that is serviced directly by a statutory authority or government company but is in the name of the Government; and
  - The percentage of statutory authority and government company debt guaranteed by the Government that regulations made under this Law specify is to be included in the net debt calculation;
- Cash reserves should be maintained at a level no less than the estimated executive expenses (measured using generally accepted accounting practice) for the following ninety days where, for the purpose of this principle, cash reserves are defined as core government cash and cash equivalents, marketable securities and deposits, and other liquid assets, including any amounts held for restricted funds and reserves purposes; and
- The financial risks, including contingent liabilities, facing the core government should be managed prudently so as to minimize the likelihood of any such risk resulting in an expense or liability.

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.

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

## PUBLIC SECTOR BORROWINGS REQUIREMENTS (CORE GOVERNMENT ONLY)

An alternative (economist's) view of the financial position of Core Government is provided by the Public Sector Borrowing Requirement (PSBR) below. As at 30 June 2016 Core Government earned \$192.0 million from operating activities, \$20.0 million was used to settle debt obligations while \$257 million was earned from capital investment activities, inclusive of \$2.7 million from repayment of loans and dividends from subsidiaries; and \$429 million was used for capital expenditure. This resulted in a no change in the overall bank balances (with maturity less than ninety days) during the 2015/16 financial year.

The table below demonstrates that based on the public sector financing requirement there is no need for Core Government to borrow funds to cover operational requirements:

<b>Public Sector Financing Requirements</b>		
<b>2015/16 Fiscal Year</b>		
	<b>Core Government C\$ Million</b>	
	<b>Actual</b>	<b>Full Year Budget</b>
<b>Total Operating Revenue</b>	<b>712</b>	<b>661</b>
<b>Operating Costs:</b>		
Personnel Costs	264	252
Other Operating Costs	293	277
<b>Total Operating Costs</b>	<b>557</b>	<b>529</b>
Financing Costs	28	28
Other Non-Operating Costs	(2)	(2)
<b>Total Costs charged to Statement of Financial Performance</b>	<b>582</b>	<b>554</b>
<b>Surplus/ (Deficit) from Operating Activities - for Core Govt</b>	<b>130</b>	<b>107</b>
Surplus from Operating Activities for Statutory Authorities and Government Companies	18	13
<b>Surplus from Operating Activities - for Entire Public Sector</b>	<b>149</b>	<b>120</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)	192	140
<b>Less: Cash Required to Meet Loan Principal Repayments</b>	<b>(20)</b>	<b>(20)</b>
<b>Add: Cash Received from Investing activities (from repayments to Gov't of loans made by Gov't, dividends received from Public Entities, maturity of Marketable Securities)</b>	<b>257</b>	<b>3</b>
<b>Remaining Cash to assist in Financing of Capital Expenditures</b>	<b>429</b>	<b>123</b>
Less: Cash Payments Req'd to Finance Capital Transactions (ie Equity Investments and Executive Assets, Marketable Securities)	(429)	(51)
<b>Increase in Bank Balances during period</b>	<b>0</b>	<b>72</b>
<b>Public Sector Borrowing Requirement (PSBR)</b>	<b>0</b>	<b>0</b>
<b>PSBR, Borrowings and Bank Balances:</b>		
Net increase in Bank Balances During the Period (from section above)	0	72
<b>Bank Balances at start of Fiscal Year: 1st July 2015 (balances with maturity ≤ 90 days)</b>	<b>89</b>	<b>270</b>
<b>Bank Balances at end of period : 30th June 2016 (balances with maturity ≤ 90 days)</b>	<b>89</b>	<b>342</b>



## GOVERNANCE

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

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

The key risks in the preparation of the EPS include:

- inaccuracies in entities' EPS submissions, which may result in materially misstated balances
- failure to provide data or delays in the submission of EPS submissions
- non-elimination of intra-group transaction streams and balances, resulting in materially misstated figures in the accounts

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

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

### The EPS Governance Framework

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

- supported in the responsibilities by the Internal Audit function
- as well as the internal framework of governance and risk management. The EPS accounts are subject to external audit provided by the Auditor General. The Auditor General is independent, and reports her findings on the accounts to Parliament. More information about the respective responsibility of the auditor and preparer can be found in the Auditor General's annual report. The Auditor General and her staff have access to all Ministry papers.

### Ministry of Finance's role in Managing Financial Risk

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

The Public Management and Finance Law (PMFL) and its Regulations – provide chief officers with guidance and sets out requirements on how to handle public funds properly. The Ministry of Finance

takes the lead in ensuring compliance with the PMFL and bringing about changes to the PMFL to enhance prudent financial management.

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

The budget and estimates process for core government and SAGC agencies - the government uses the annual budgeting system to plan and control public expenditure. The Ministry presents estimates of budgetary plans to Parliament to obtain the statutory authority to consume resources and spend cash. The budgetary system has two main objectives:

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

The PMFL and its regulations set the financial reporting framework for central government, the Ministry of Finance works with the other agencies across government and help to ensure IPSAS is practiced uniformly.

The Ministry provides strategic challenge to, and monitoring of agency's spending on an ongoing basis. The Ministry advises Cabinet on the financial impact of requests for supplementary expenditure from Core Government agencies to ensure that the additional spending will not negatively impact the objective to comply with the FFR. During the year 24 Cabinet papers were prepared on supplementary funding and reallocation of funding.

## **FINANCIAL RISK MANAGEMENT**

The Ministry of Finance manages Core Government's financial risks such as credit, liquidity, insurance, interest rate risk, commodity price risk, and currency risk. See further details in note 36 of the EPS annual accounts.

## REMUNERATION IN THE PUBLIC SECTOR

### Compensation of Key Management Personnel

Key management personnel include Cabinet Ministers, Chief Executive Officers, Chief Officers, Chief Financial Officers, and deputies. Total remuneration includes regular salary, pension contribution, health insurance contribution, allowances, bonus, and termination benefits. Total remuneration paid to key management personnel was as follows:

Description	2015/16	2014/15
Gross CI\$000		
<b>Key Management Personnel Remuneration</b>		
Salaries & other short term employee benefits	31,062	28,146
Other long term benefits	134	992
<b>Total Remuneration</b>	<b>31,196</b>	<b>29,138</b>
<b>Number of Key Management Personnel</b>		
	<b>231</b>	<b>219</b>
<b>Loans to Key Management Personnel</b>		
	<b>93</b>	<b>229</b>
Loans given to key management personnel includes mortgage, debt consolidation at average interest rate of 4.75%.		
<b>Board Members Remuneration</b>		
Remuneration for services	502	514
<b>Total Remuneration</b>	<b>502</b>	<b>514</b>
<b>Number of Board Members</b>		
	<b>123</b>	<b>125</b>

### Personnel Policies

#### Pay Review

The Cayman Islands Government has remuneration bands which are formally documented and required to be used throughout the Core Government. These remuneration bands are set by the Deputy Governor in accordance with the Personnel Regulations (2013) which states “The remuneration bands...are such as may be approved from time to time by the Deputy Governor.” However, in practice, changes to these bands receive approval from the Cabinet prior to changes being made. Additionally, each job description/position within Core Government is evaluated by the Portfolio of the Civil Service to determine the appropriate remuneration band on which it will be placed in accordance with the Public Service and Management Law (2013) Section 24(h). Once the remuneration band has been determined the point on the band is determined between the Appointing Officer and the employee.

## Civil Service Pay Policy

### Cost of Living Adjustment (COLA)

Presently there is no formal policy in place which relates to a regular award of COLA. Decisions relating to COLA are put forward by the Portfolio of the Civil Service and require approval by the Cabinet.

### Honorarium

There is no formal policy for honorarium (similar to a bonus; i.e. a one off payment made at the end of a year based on the Core Government's performance) payments to civil servants.

The Cabinet has awarded a mixture of honorariums and COLA during the past three years in order to address the change in cost of living.

### Increments

As a result of austerity measures introduced in recent years, the award of increments is generally not allowed within the HR pay policies issued by the Deputy Governor. Increments represent points within a pay scale.

See key demographic information on the public service below:

The total number of full-time equivalent employees increased by 3% over the prior year, which represented a 3% increase for Core Government and a 2% increase in SAGCs.

Caymanians					
	June 2012	June 2013	June 2014	June 2015	June 2016
SAGCS	76%	76%	78%	77%	77%
Core	73%	73%	74%	74%	74%
Total Public Service	74%	74%	75%	75%	75%

The above five year trend shows a relatively static 75% of public servants are of Caymanian nationality.

Gender (Core Government Only)					
	June 2012	June 2013	June 2014	June 2015	June 2016
Male	48%	47%	46%	47%	46%
Female	52%	53%	54%	53%	54%
Total Public Service	100%	100%	100%	100%	100%

The above table depicts a clear majority of females civil servants employed with Core Government.

Average Age (Core Government Only)					
	June 2012	June 2013	June 2014	June 2015	June 2016
Average Age	42	42	42	43	43

The above table shows a trend of increasing average age of civil servants in Core Government.

Salary Grades (June 2016): Core Government Only						
Grades	A-B	C-G	H-K	L-O	P-R	GFF-GAA
Male	100%	53%	46%	45%	30%	66%
Female	0%	47%	54%	55%	70%	34%
Total Public Service	100%	100%	100%	100%	100%	100%

In the table above males dominate the top pay scales positions in Core Government.

Salary and Wages (Core Government Only)					
	June 2012	June 2013	June 2014	June 2015	June 2016
Average Full-time	\$43,932	\$42,702	\$42,511	\$45,008	\$45,343

The table above reflects increasing average salary and wages for full- time employees in Core Government in the past two years.

## ENTITIES NOT CONSOLIDATED IN THE EPS ACCOUNTS

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

### **Public Service Pensions Board**

Under the accounting standard for determining what entities should be consolidated, IPSAS 6, the Public Service Pensions Board's (PSPB) accounts would be eligible for consolidation in the EPS, however the Accountant General took the view that the assets of the PSPB were trust assets and therefore not subject to consolidation.

The accounts of the PSPB have not been consolidated in the EPS accounts as the PSPB is considered to be a "Trust" under the definition prescribed in the PMFL, and not a SAGC. Under Section 70 of the PMFL, trust assets must be accounted for separately from core government and SAGC accounts and must be transferred to the chief officer responsible for public finance for management.

A legal opinion was obtained and it was recommended that although there are indications that the PSPB have characteristics of a trust, it would be best for the PSPB law to be amended to clearly state that its accounts should not be included in the consolidation of the EPS.

The audited accounts of the PSPB and its annual report can be found at [www.pspb.ky](http://www.pspb.ky)

### **Segregated Insurance Fund of the Cayman Islands**

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

As at 30 June 2016, the Fund had total Assets of \$449K and net assets of \$0 as all contributions receivable (net of those to cover accrued expenses of the Fund) were recorded as payable to the Ministry.

Under each standard health insurance contract, an approved health insurance provider collects contributions from individual policy holders with no dependents at a rate of \$10 per month and policy holders with dependents \$20 per month. During the year contributions from insurance providers were \$4.6 million (2014/15: \$4.2 million) all contributions received were remitted to the Ministry.

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

## Trust Holdings

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

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

See Statement of Trust Holdings below:

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>Statement of Trust Assets</b> <b>As at 30th June 2016</b>				
	Opening Balance	Additions	Disbursements	Closing Balance
	CI\$000	CI\$000	CI\$000	CI\$000
Prisoners' Monies	92	-	-	92
Immigration Repatriation Deposits	5,406	-	-	5,406
Police Bail Bonds	295	12	(9)	298
Asset Forfeiture	484	0	(87)	397
Defunct Companies	24,171	9,092	(6,977)	26,286
Court Fund Trusts	50,688	11,186	(3,713)	58,161
Dormant Trusts Account	17,940	116,925	(124,541)	10,324
Immigration Bail Bonds	15	-	-	15
Other Trusts	463	-	-	463
<b>Total Trust Assets</b>	<b>99,553</b>	<b>137,216</b>	<b>(135,326)</b>	<b>101,444</b>

*See Note 44 of the EPS accounts.*

# FINANCIAL STATEMENTS

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FOR THE GOVERNEMENT OF THE CAYMAN ISLANDS  
FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2016





**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 section 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 2016.

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.

A handwritten signature in blue ink, appearing to read "Roy McTaggart".

**Hon. Roy McTaggart, JP**  
Minister for Finance & Economic Development  
Government of the Cayman Islands

Dated: 19 October 2017

A handwritten signature in blue ink, appearing to read "Alden McLaughlin".

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

Dated: 19<sup>th</sup> October 2017



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### 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 2016 and the consolidated statement of financial performance, statement of changes in net worth and 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 18 to 125 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

## AUDITOR GENERAL'S REPORT (continued)

### ***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 conclude 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, the consolidated financial statements are understated as at 30 June 2016.

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

As at the date of this audit report, certain subsidiary audits were in progress; additionally, there were material adjustments which have not been posted in relation to completed subsidiary audits. It is likely that the adjustments arising from ongoing audits could materially affect figures and disclosures in the consolidated financial statements. The impact of these adjustments could be both pervasive and material.

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

Management has not been able to provide a complete valuation report to support the carrying value of the road network amount of \$128 million related to roads and sidewalks as disclosed in Note 10 to the financial statements and has omitted significant parts of its road network from the accounts.

Furthermore, the accounting policies used to measure the Statutory Authorities and Government Companies assets that recognizes land and buildings accounts, are inconsistent to the central government entities. IPSAS 6 – ***Consolidated and Separate Financial Statements*** requires consistent accounting policies to be used within the consolidation. Therefore, the consolidated figure for property, plant & equipment is materially misstated due to the lack of revalued carrying amounts for certain classes of property, plant & equipment owned by the statutory authorities and government companies ("SAGC"). The total carrying amount of these SAGC assets in the financial statements is \$117 million and the revaluation reserve, which is also impacted, amounts to \$33 million.

Subsidiaries included in the consolidated financial statements have also been qualified to date due to the lack of detailed listings of property, plant & equipment which amounted to \$2.7 million.

As a result of the matters identified, the property, plant & equipment appearing in the financial statements is materially misstated as at 30 June 2016.

#### ***Depreciation and amortization expenses inaccuracy***

The depreciation and amortization expenses amounting to \$54 million recorded in the statement of financial performance are materially misstated as a result from the valuation and completeness issues affecting property, plant & equipment as discussed above.

## AUDITOR GENERAL'S REPORT (continued)

### *Basis for Adverse Opinion (continued)*

#### ***Understatement of retirement benefits liabilities***

Government did not record its liabilities relating to its post-retirement healthcare program. The results of the health care liability actuarial valuation for Core government estimated the post-retirement health care net liability to be \$1.4 billion and post-retirement medical expense totaling \$141 million as at 30 June 2016. Furthermore, material omission on post-retirement health care liabilities for a number of statutory authorities and government companies (SAGCs) have been excluded from the retirement benefits non-current liabilities.

During the year, management has recognized a pension liability of \$448 million relating to the CIG's participation in the Defined Benefit Pension Plan. The pension net liability includes amounts relating to statutory authorities and government companies, which totaled to \$33.7 million. This was compared and agreed to the individual subsidiary's actuarial valuation reports and resulted in the understatement of \$8.5 million of current retirement benefits in the statement of financial position.

#### ***Completeness of Provisions***

Management has represented that there is no process in place to properly access and account for its environmental liabilities. Therefore I have not received sufficient appropriate audit evidence to be able to conclude on the completeness of provisions & contingent liability disclosures as it relates to these liabilities for the year ended 30 June 2016.

#### ***Personnel costs understated***

The personnel costs amounting to \$400 million appearing in the statement of financial performance are materially misstated due to the understatement of post-retirement health care and post retirement pension liabilities.

#### ***Incompleteness of Revenue, Receivables and Unearned Revenue***

Due to poor controls, management was unable to provide sufficient appropriate audit evidence and were not able to assert to the completeness of its coercive revenue. I have not been able to conclude on the fairness of the amount reported as coercive revenues of \$673 million on the statement of financial performance for the year ended 30 June 2016. Additionally, 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 \$261 million because of poor controls for patient revenues.

Due to the exclusion of the Public Service Pensions Board from consolidation of financial statements, investment revenues were understated by \$22 million (net) for the year ended 30 June 2016.

As a result of the revenue incompleteness, I have not been able to conclude on the related trade receivables balances of \$32 million, total other receivables of \$14 million and unearned revenues of \$65 million appearing on the statement of financial position as at 30 June 2016.



## AUDITOR GENERAL'S REPORT (continued)

### *Basis for Adverse Opinion (continued)*

#### **Net Worth**

The revaluation reserve totaling to \$522 million presented in the statement of financial position is materially misstated due to the valuation and completeness issues affecting property, plant & equipment. Likewise, the current and accumulated surpluses amounting to \$149 million and \$348 million respectively are materially misstated as a result of inaccuracy of depreciation and amortization expenses, understatement of personnel costs and incompleteness of revenues.

#### **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 pervasive inaccuracies in the opening balances of these consolidated financial statements and identify the effects of any adjustments that might be necessary on the current year's results of operations.

#### **Financial Statement Disclosures**

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

- The Government has not established a system for reporting key management personnel transactions as required by IPSAS 20, Related Party Disclosures, as a result, I do not opine on the accuracy of related party balances.
- The consolidated financial statements do not disclose the maximum exposure of financial assets to credit risk as required by IPSAS 15 Financial Instruments: (Disclosure and Presentation) and does not include all of the required disclosures of IPSAS 25 Employee Benefits. .

#### **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 2016 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

#### **Other Matter**

##### **Compliance with laws, regulations and other considerations**

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



Sue Winspear, CPFA  
Auditor General

19 October 2017  
Cayman Islands

# Financial Statements

## Statement of Financial Position

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>STATEMENT OF FINANCIAL POSITION</b> AS AT 30 JUNE 2016					
Core Actual 2014/2015	EPS Actual 2014/2015			Core Actual 2015/2016	EPS Actual 2015/2016
CI\$000	CI\$000		Note	CI\$000	CI\$000
<b>Current Assets</b>					
271,384	410,238	Cash and Cash Equivalents	2	89,097	233,449
26,185	31,707	Trade Receivables	3	10,422	32,015
1,951	12,500	Other Receivables	4	12,108	13,390
2,319	-	Dividend Receivable	4	1,399	-
2,843	16,718	Inventories	5	2,975	16,778
782	571	Loans Made	6	543	2,671
84	65,385	Investments	7	319,522	433,314
7,533	12,742	Prepayments	8	4,989	9,867
-	1,437	Biological Assets	9	-	1,640
<b>313,081</b>	<b>551,298</b>	<b>Total Current Assets</b>		<b>441,055</b>	<b>743,124</b>
<b>Non-Current Assets</b>					
-	-	Trade Receivables	3	150	150
-	801	Other Receivables	4	-	993
1,083	29,899	Loans Made	6	854	27,614
1,782,825	2,068,405	Property, Plant and Equipment	10	1,431,199	1,732,843
3,940	5,562	Intangible Assets	11	3,265	6,516
-	15,772	Investment Property	12	-	15,378
831	36,692	Investments	7	831	5,197
331,790	-	Net Worth - Public Entities	41	364,773	-
-	1	Other Non-Current Assets		448	448
<b>2,120,469</b>	<b>2,157,132</b>	<b>Total non-current assets</b>		<b>1,801,520</b>	<b>1,789,139</b>
<b>2,433,550</b>	<b>2,708,430</b>	<b>Total Assets</b>		<b>2,242,575</b>	<b>2,532,263</b>
<b>Current Liabilities</b>					
12,322	30,163	Trade Payables	13	15,947	20,213
56,058	49,520	Other Payables & Accruals	13	70,351	62,626
-	3,803	Bank Overdraft	2	-	2,034
26,173	40,238	Unearned Revenue	14	51,396	65,282
8,521	10,407	Employee Entitlements	15	8,607	10,497
11,400	15,026	Retirement Benefits	16	29,400	33,312
20,943	30,902	Borrowings/Public Debts	17	35,727	48,388
-	11,657	Provisions	18	-	12,877
<b>135,417</b>	<b>191,716</b>	<b>Total Current Liabilities</b>		<b>211,428</b>	<b>255,229</b>
<b>Non-Current Liabilities</b>					
59	197	Other Payables & Accruals	13	-	204
184,857	212,022	Retirement Benefits	16	386,376	447,971
502,379	598,770	Borrowings/Public Debts	17	467,591	544,803
-	94,887	Currency Issued	19	-	106,876
<b>687,295</b>	<b>905,876</b>	<b>Total Non-Current Liabilities</b>		<b>853,967</b>	<b>1,099,854</b>
<b>822,712</b>	<b>1,097,592</b>	<b>Total Liabilities</b>		<b>1,065,395</b>	<b>1,355,083</b>
<b>1,610,838</b>	<b>1,610,838</b>	<b>Net Assets</b>		<b>1,177,180</b>	<b>1,177,180</b>
<b>Net Assets/Equity</b>					
131,820	156,612	Reserves	20	134,077	157,940
788,116	806,179	Revaluation Reserve	20	489,490	522,158
146,689	146,689	Current Period Surplus (Deficit)		148,532	148,532
544,213	501,358	Accumulated Surplus (Deficit)		405,081	348,550
<b>1,610,838</b>	<b>1,610,838</b>	<b>Total Net Assets/Equity</b>		<b>1,177,180</b>	<b>1,177,180</b>

## Statement of Financial Performance

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>STATEMENT OF FINANCIAL PERFORMANCE</b> <b>FOR THE YEAR ENDED 30 JUNE 2016</b>					
<b>Core Actual</b>	<b>EPS Actual</b>			<b>Core Actual</b>	<b>EPS Actual</b>
<b>2014/2015</b>	<b>2014/2015</b>			<b>2015/2016</b>	<b>2015/2016</b>
CI\$000	CI\$000			CI\$000	CI\$000
			<b>Note</b>		
		<b>Revenue</b>			
623,512	623,503	Coercive Revenue	<b>21</b>	674,079	673,261
34,759	261,478	Sales of Goods & Services	<b>22</b>	35,828	261,390
1,047	4,700	Investment Revenue	<b>23</b>	2,161	5,669
283	1,081	Donations	<b>24</b>	317	931
38	300	Other Revenue		36	2,771
<b>659,639</b>	<b>891,062</b>	<b>Total Revenue</b>		<b>712,421</b>	<b>944,022</b>
		<b>Expenses</b>			
237,110	352,795	Personnel Costs	<b>25</b>	263,586	400,116
78,873	223,221	Supplies and Consumables	<b>26</b>	83,026	216,022
5,557	8,346	Leases		4,863	7,874
30,863	50,846	Depreciation/Amortisation	<b>27</b>	33,686	53,851
94,004	-	Outputs from Statutory Authorities and Government Companies	<b>40</b>	98,533	-
29,445	29,445	Outputs from Non-government Organisations	<b>28</b>	32,538	32,538
27,274	27,274	Transfer Payments	<b>29</b>	30,251	30,251
470	2,018	Litigation Costs		316	1,151
5,493	19,192	Other Executive Expenses	<b>30</b>	10,061	24,316
28,518	33,280	Finance Costs	<b>31</b>	27,609	31,007
<b>537,607</b>	<b>746,417</b>	<b>Total Expenses</b>		<b>584,469</b>	<b>797,126</b>
		<b>Other (Gains)/Losses</b>			
-	-	(Gains)/Losses on Derecognition of Assets/Liabilities		(350)	(350)
-	16	Impairment of Property, Plant and Equipment		-	-
-	231	Impairment of Inventory		-	(107)
(3,007)	(2,474)	(Gains)/Losses on Financial Instruments		(2,789)	(2,913)
181	183	(Gains)/Losses on Non-financial Instruments		628	1,604
-	-	(Gains)/Losses on Revaluation of Asset		130	130
(21,831)	-	(Surplus)/Deficit on Statutory Authorities & Government Companies		(18,199)	-
<b>(24,657)</b>	<b>(2,044)</b>	<b>Total Other (Gains)/Losses</b>		<b>(20,580)</b>	<b>(1,636)</b>
<b>146,689</b>	<b>146,689</b>	<b>Surplus/(Deficit) for the Period</b>		<b>148,532</b>	<b>148,532</b>



## Statement of Cash Flows

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>STATEMENT OF CASH FLOWS</b> <b>FOR THE YEAR ENDED 30 JUNE 2016</b>			
<b>Prior Year</b> <b>2014/2015</b> CI\$000			<b>Actual</b> <b>2015/2016</b> CI\$000
		<b>Note</b>	
	<b>Operating Activities</b>		
	<b>Cash received</b>		
623,410	Coercive Receipts		698,175
243,084	Sales of Goods & Services		253,647
4,347	Interest received		5,008
1,342	Donations / Grants received		837
8,332	Other receipts		23,868
<b>880,516</b>	<b>Total cash received</b>		<b>981,535</b>
	<b>Cash used</b>		
(377,853)	Personnel costs		(436,373)
(197,785)	Supplies and consumables		(169,537)
(31,078)	Outputs from non-governmental organisations		(31,260)
(27,290)	Transfer payments		(30,263)
(34,350)	Financing/interest payments		(31,812)
(10,781)	Other payments		(49,276)
(351)	Extraordinary payments		-
<b>(679,488)</b>	<b>Total cash used</b>		<b>(748,521)</b>
<b>201,028</b>	<b>Net cash flows from (used by) operating activities</b>	<b>32</b>	<b>233,014</b>
	<b>Investing activities</b>		
	<b>Cash received</b>		
314	Proceeds from sale of property, plant and equipment		1,603
3,146	Proceeds from the sale of Investments		303,989
<b>3,460</b>	<b>Total cash received</b>		<b>305,592</b>
	<b>Cash used</b>		
(36,387)	Purchase of property, plant and equipment		(43,588)
(1,109)	Loans Made/Investments		(453,728)
<b>(37,496)</b>	<b>Total cash used</b>		<b>(497,316)</b>
<b>(34,037)</b>	<b>Net cash flows from (used by) investing activities</b>		<b>(191,724)</b>
	<b>Financing activities</b>		
	<b>Cash received</b>		
30,584	Proceeds from Borrowing		33
<b>30,584</b>	<b>Total cash received</b>		<b>33</b>
(72,322)	Repayment of Borrowings		(35,933)
<b>(72,322)</b>	<b>Total cash used</b>		<b>(35,933)</b>
<b>(41,738)</b>	<b>Net cash flows from (used by) financing activities</b>		<b>(35,900)</b>
125,253	<b>Net increase/(decrease) in cash and cash equivalents held</b>		5,390
281,182	Cash and cash equivalents at beginning of period <sup>1</sup>		226,025
<b>406,435</b>	<b>Cash and cash equivalents at end of period</b>	<b>2</b>	<b>231,415</b>
410,238	Cash and cash equivalents (excluding bank overdrafts)		233,449
(3,803)	Less Overdraft		(2,034)
<b>406,435</b>	<b>Cash and cash equivalents</b>		<b>231,415</b>

<sup>1</sup> At 1 July 2015 Fixed deposits with maturity dates over 90 days at the date of placement have been reclassified to Marketable securities included in Investments (Note 7).

## Statement of Changes in Net Worth

GOVERNMENT OF THE CAYMAN ISLANDS				
STATEMENT OF CHANGES IN NET WORTH				
FOR THE YEAR ENDED 30 JUNE 2016				
Attributable to Cayman Islands Government				
	Reserves CI\$000	Revaluation CI\$000	Accumulated Surplus/(Deficits) CI\$000	Total Net Worth CI\$000
<b>Balance at 30 June 2014</b>	129,321	801,414	519,443	1,450,178
Changes in accounting policy	-	-	-	-
Restated balance	129,321	801,414	519,443	1,450,178
<b>Changes in net worth for 2014/15</b>				
Property revaluation adjustments	-	4,765	-	4,765
Prior Year Adjustments	-	-	9,207	9,207
Movement in Reserves	27,291	-	(27,291)	-
<b>Net revenue / expenses recognised directly in net worth</b>	27,291	4,765	(18,084)	13,972
Surplus/(deficit) for the period 2014/15	-	-	146,689	146,689
<b>Total recognised revenues and expenses for the period</b>	27,291	4,765	128,605	160,661
<b>Balance at 30 June 2015 carried forward</b>	<b>156,612</b>	<b>806,179</b>	<b>648,047</b>	<b>1,610,838</b>
	Reserves CI\$000	Revaluation CI\$000	Accumulated Surplus/(deficits) CI\$000	Total Net Worth CI\$000
<b>Balance at 30 June 2015</b>	156,612	806,179	648,047	1,610,838
Changes in accounting policy	-	-	-	-
Restated balance	156,612	806,179	648,047	1,610,838
<b>Changes in net worth for 2015/16</b>				
Property revaluation adjustments	-	(239,189)	-	(239,189)
Movement in Post Retirement Benefit	-	-	(236,366)	(236,366)
Prior Period Adjustments	-	(44,832)	(61,803)	(106,635)
Movement in Reserves	1,328	-	(1,328)	-
<b>Net revenue / expenses recognised directly in net worth</b>	1,328	(284,021)	(299,497)	(582,190)
Surplus/(deficit) for the period 2015/16	-	-	148,532	148,532
<b>Total recognised revenues and expenses for the period</b>	1,328	(284,021)	(150,965)	(433,658)
<b>Balance at 30 June 2016</b>	<b>157,940</b>	<b>522,158</b>	<b>497,082</b>	<b>1,177,180</b>

## 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 2016</b> <b>ENTIRE PUBLIC SECTOR</b>				
	Note	Original Budget 2015/2016 C\$000	Actual 2015/2016 C\$000	Performance Difference C\$000
<b>Current Assets</b>				
Cash and Cash Equivalents	2	428,537	233,449	(195,088)
Marketable Security & Deposits	2	77,418	-	(77,418)
Trade Receivables	3	19,325	32,015	12,690
Other Receivables	4	4,574	13,390	8,816
Inventories	5	15,970	16,778	808
Loans Made	6	2,363	2,671	308
Investments	7	-	433,314	433,314
Prepayments	8	11,314	9,867	(1,447)
Biological Assets	9	-	1,640	1,640
<b>Total Current Assets</b>		<b>559,501</b>	<b>743,124</b>	<b>183,623</b>
<b>Non-Current Assets</b>				
Trade Receivables	3	14,472	150	(14,322)
Other Receivables	4	516	993	477
Inventories	5	3,100	-	(3,100)
Loans Made	6	30,224	27,614	(2,610)
Property, Plant and Equipment	10	2,118,583	1,732,843	(385,740)
Intangible Assets	11	6,800	6,516	(284)
Investment Property	12	-	15,378	15,378
Investments	7	21,762	5,197	(16,565)
Prepayments	8	548	-	(548)
Other Non-Financial Assets		-	448	448
<b>Total Non-Current Assets</b>		<b>2,196,005</b>	<b>1,789,139</b>	<b>(406,866)</b>
<b>Total Assets</b>		<b>2,755,506</b>	<b>2,532,263</b>	<b>(223,243)</b>
<b>Current Liabilities</b>				
Trade Payables	13	47,592	20,213	(27,379)
Other Payables & Accruals	13	61,116	62,626	1,510
Bank Overdraft	2	2,382	2,034	(348)
Unearned Revenue	14	34,256	65,282	31,026
Employee Entitlements	15	7,515	10,497	2,982
Retirement Benefits	16	-	33,312	33,312
Borrowings/Public Debts	17	48,717	48,388	(329)
Provisions	18	-	12,877	12,877
<b>Total Current Liabilities</b>		<b>201,578</b>	<b>255,229</b>	<b>53,651</b>
<b>Non-Current Liabilities</b>				
Other Payables & Accruals	13	527	204	(323)
Employee Entitlements	15	17	-	(17)
Retirement Benefits	16	215,643	447,971	232,328
Borrowings/Public Debts	17	544,538	544,803	265
Currency Issued	19	93,750	106,876	13,126
<b>Total Non-Current Liabilities</b>		<b>854,475</b>	<b>1,099,854</b>	<b>245,379</b>
<b>Total Liabilities</b>		<b>1,056,053</b>	<b>1,355,083</b>	<b>299,030</b>
<b>Net Assets</b>		<b>1,699,453</b>	<b>1,177,180</b>	<b>(522,273)</b>
<b>Net Assets/Equity</b>				
Reserves	20	131,488	157,940	26,452
Revaluation Reserve	20	798,880	522,158	(276,722)
Current Period Surplus/(Deficit)		121,320	148,532	27,212
Accumulated Surplus/(Deficit)		647,765	348,550	(299,215)
<b>Total Net Assets/Equity</b>		<b>1,699,453</b>	<b>1,177,180</b>	<b>(522,273)</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 2016</b> <b>CORE GOVERNMENT</b>				
	Note	Original Budget 2015/2016 CI\$000	Actual 2015/2016 CI\$000	Performance Difference CI\$000
<b>Current Assets</b>				
Cash and Cash Equivalents	2	340,112	89,097	(251,015)
Trade Receivables	3	14,779	10,422	(4,357)
Other Receivables	4	3,944	12,108	8,164
Dividends Receivable	4	-	1,399	1,399
Inventories	5	2,027	2,975	948
Loans Made	6	335	543	208
Investments	7	-	319,522	319,522
Prepayments	8	7,867	4,989	(2,878)
<b>Total Current Assets</b>		<b>369,064</b>	<b>441,055</b>	<b>71,991</b>
<b>Non-Current Assets</b>				
Trade Receivables	3	13,000	150	(12,850)
Other Receivables	4	56	-	(56)
Loans Made	6	1,066	854	(212)
Property, Plant and Equipment	10	1,739,590	1,431,199	(308,391)
Intangible Assets	11	4,602	3,265	(1,337)
Investments	7	2,451	831	(1,620)
Net Worth - Public Entities	41	348,372	364,773	16,401
Other Non-Financial Assets			448	448
<b>Total Non-Current Assets</b>		<b>2,109,137</b>	<b>1,801,520</b>	<b>(307,617)</b>
<b>Total Assets</b>		<b>2,478,201</b>	<b>2,242,575</b>	<b>(235,626)</b>
<b>Current Liabilities</b>				
Trade Payables	13	33,343	15,947	(17,396)
Other Payables & Accruals	13	36,592	70,351	33,759
Unearned Revenue	14	21,095	51,396	30,301
Employee Entitlements	15	5,986	8,607	2,621
Retirement Benefits	16	-	29,400	29,400
Borrowings/Public Debts	17	34,871	35,727	856
<b>Total Current Liabilities</b>		<b>131,887</b>	<b>211,428</b>	<b>79,541</b>
<b>Non-Current Liabilities</b>				
Retirement Benefits	16	178,323	386,376	208,053
Borrowings/Public Debts	17	468,538	467,591	(947)
<b>Total Non-Current Liabilities</b>		<b>646,861</b>	<b>853,967</b>	<b>207,106</b>
<b>Total Liabilities</b>		<b>778,748</b>	<b>1,065,395</b>	<b>286,647</b>
<b>Net Assets</b>		<b>1,699,453</b>	<b>1,177,180</b>	<b>(522,273)</b>
<b>Net Assets/Equity</b>				
Reserves	20	131,488	134,077	2,589
Revaluation Reserve	20	825,773	489,490	(336,283)
Current Period Surplus/(Deficit)		121,320	148,532	27,212
Accumulated Surplus/(Deficit)		620,872	405,081	(215,791)
<b>Total Net Assets/Equity</b>		<b>1,699,453</b>	<b>1,177,180</b>	<b>(522,273)</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 2016</b> <b>ENTIRE PUBLIC SECTOR</b>				
	Note	Original Budget 2015/2016 CI\$000	Actual 2015/2016 CI\$000	Performance Difference CI\$000
<b>Revenue</b>				
Coercive Revenue	21	628,226	673,261	45,035
Sales of Goods & Services	22	256,287	261,390	5,103
Investment Revenue	23	2,746	5,669	2,923
Donations	24	864	931	67
Other Revenue		310	2,771	2,461
<b>Total Revenue</b>		<b>888,433</b>	<b>944,022</b>	<b>55,589</b>
<b>Expenses</b>				
Personnel Costs	25	377,083	400,116	23,033
Supplies and Consumables	26	206,225	216,022	9,797
Leases		-	7,874	7,874
Depreciation & Amortisation	27	47,905	53,851	5,946
Outputs from Non-Government Organizations	28	22,767	32,538	9,771
Transfer Payments	29	32,555	30,251	(2,304)
Litigation Costs		2,237	1,151	(1,086)
Other Executive Expenses	30	50,362	24,316	(26,046)
Finance Costs	31	31,686	31,007	(679)
<b>Total Expenses</b>		<b>770,820</b>	<b>797,126</b>	<b>26,306</b>
<b>Other (Gains)/Losses</b>				
(Gains)/Losses on Derecognition of Assets/Liabilities		(2,408)	(350)	2,058
Impairment of Inventory		1	(107)	(108)
(Gains)/Losses on Financial Instruments		200	(2,913)	(3,113)
(Gains)/Losses on Non-financial Instruments		-	1,604	1,604
(Gains)/Losses on Revaluation of Asset		-	130	130
<b>Total Other (Gains)/Losses</b>		<b>(2,207)</b>	<b>(1,636)</b>	<b>571</b>
<b>Surplus/(Deficit) for the period</b>		<b>119,820</b>	<b>148,532</b>	<b>28,712</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 2016</b> <b>CORE GOVERNMENT</b>				
		Original Budget 2015/2016	Actual 2015/2016	Performance Difference
	Note	CI\$000	CI\$000	CI\$000
<b>Revenue</b>				
Coercive Revenue	21	628,226	674,079	45,853
Sales of Goods & Services	22	31,967	35,828	3,861
Investment Revenue	23	950	2,161	1,211
Donations	24	60	317	257
Other Revenue		40	36	(4)
<b>Total Revenue</b>		<b>661,243</b>	<b>712,421</b>	<b>51,178</b>
<b>Expenses</b>				
Personnel Costs	25	252,366	263,586	11,220
Supplies and Consumables	26	85,683	83,026	(2,657)
Leases		5,346	4,863	(483)
Depreciation & Amortisation	27	27,268	33,686	6,418
Outputs to Statutory Authorities and Government Companies	40	98,698	98,533	(165)
Outputs from Non-Government Organizations	28	22,767	32,538	9,771
Transfer Payments	29	32,555	30,251	(2,304)
Litigation Costs		560	316	(244)
Other Executive Expenses	30	3,840	10,061	6,221
Finance Costs	31	27,604	27,609	5
<b>Total Expenses</b>		<b>556,687</b>	<b>584,469</b>	<b>27,782</b>
<b>Other (Gains)/Losses</b>				
(Gains)/Losses on Derecognition of Assets/Liabilities		-	(350)	(350)
(Gains)/Losses on Financial Instruments		(2,382)	(2,789)	(407)
(Gains)/Losses on Non-financial Instruments		-	628	628
(Gains)/Losses on Revaluation of Asset		-	130	130
(Surplus)/Deficit on Statutory Authorities & Government Companies		(12,882)	(18,199)	(5,317)
<b>Total Other (Gains)/Losses</b>		<b>(15,264)</b>	<b>(20,580)</b>	<b>(5,316)</b>
<b>Surplus/(Deficit) for the Period</b>		<b>119,820</b>	<b>148,532</b>	<b>28,712</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

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 (the “Government”) 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 1st July to 30th 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.

### **Amendments to IPSAS issued**

The Applicability of IPSASs (final pronouncement issued April 2016 by the IPSASB) removes the Government Business Enterprise definition in IPSAS 1, Presentation of Financial Statements and proposes consequential amendments in IPSAS and Recommended Practice Guidelines (RPG). Applicable to all extant IPSASs and RPGs (effective as at December 31, 2015):

- Amendments to IPSAS 1, Presentation of Financial Statements
- Amendments to IPSAS 2, Cash Flow Statements
- Amendments to IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to IPSAS 4, The Effects of Changes in Foreign Exchange Rates

- Amendments to IPSAS 5, Borrowing Costs
- Amendments to IPSAS 9, Revenue from Exchange Transactions
- Amendments to IPSAS 10, Financial Reporting in Hyperinflationary Economies
- Amendments to IPSAS 11, Construction Contracts
- Amendments to IPSAS 12, Inventories
- Amendments to IPSAS 13, Leases
- Amendments to IPSAS 14, Events after the Reporting Date
- Amendments to IPSAS 16, Investment Property
- Amendments to IPSAS 17, Property, Plant, and Equipment
- Amendments to IPSAS 18, Segment Reporting
- Amendments to IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets
- Amendments to IPSAS 20, Related Party Disclosures
- Amendments to IPSAS 21, Impairment of Non-Cash Generating Assets
- Amendments to IPSAS 22, Disclosures of Financial Information about the General Government Sector
- Amendments to IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers)
- Amendments to IPSAS 24, Presentation of Budget Information in Financial Statements
- Amendments to IPSAS 25, Employee Benefits
- Amendments to IPSAS 26, Impairment of Cash-Generating Assets
- Amendments to IPSAS 27, Agriculture
- Amendments to IPSAS 28, Financial Instruments: Presentation
- Amendments to IPSAS 29, Financial Instruments: Recognition and Measurement
- Amendments to IPSAS 30, Financial Instruments: Disclosures
- Amendments to IPSAS 31, Intangible Assets
- Amendments to IPSAS 32, Service Concession Arrangements: Grantor
- Amendments to IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)
- Amendments to IPSAS 34, Separate Financial Statements
- Amendments to IPSAS 35, Consolidated Financial Statements
- Amendments to IPSAS 36, Investments in Associates and Joint Ventures
- Amendments to IPSAS 37, Joint Arrangements
- Amendments to IPSAS 38, Disclosure of Interests in Other Entities
- Amendments to RPG 1, Reporting on the Long-Term Sustainability of an Entity's Finances
- Amendments to RPG 2, Financial Statement Discussion and Analysis
- Amendments to RPG 3, Reporting Service Performance Information

#### **New IPSAS issued but not yet Effective**

- IPSAS 33 First-time Adoption of Accrual Basis IPSASs (effective for periods beginning on or after January 1, 2017)
- IPSAS 34 Separate Financial Statements (effective for periods beginning on or after January 1, 2017)

- IPSAS 35 Consolidated Financial Statements (effective for periods beginning on or after January 1, 2017)
- IPSAS 36 Investments in Associates and Joint Ventures (effective for periods beginning on or after January 1, 2017)
- IPSAS 37 Joint Arrangements (effective for periods beginning on or after January 1, 2017)
- IPSAS 38 Disclosure of Interests in Other Entities (effective for s beginning on or after January 1, 2017)

## Budget Amounts

The original budget amounts for the financial year are as presented in the 2015/2016 Annual Plan and Estimates as approved by the Legislative Assembly on the 26th June 2015. 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:-

<b>Revenue Type</b>	<b>Revenue Recognition Point</b>
<b>Taxes on International Trade and Transactions</b>	
• Import Duties	When goods become liable for duty, generally at declaration, prior to release of goods
• Other Taxes on International Trade and Transactions	When liability for tax or fee is incurred
<b>Domestic Levies on Goods and Services</b>	
• Business and Professional Licenses	Upon initial application and, if appropriate, when renewed
• Other Taxes on Goods and Services	Upon delivery of goods and services
• Motor Vehicle Tax	Upon initial application and due date for annual renewal
• Tourist Accommodation Tax	When monthly return is due

<b>Revenue Type</b>	<b>Revenue Recognition Point</b>
<ul style="list-style-type: none"> <li>Miscellaneous Stamp Duty</li> <li>Miscellaneous Immigration Fees</li> </ul>	<p>At the time the goods are delivered</p> <p>Upon application</p>
<b>Taxes on Property</b>	
<ul style="list-style-type: none"> <li>Land Transfer Duty</li> <li>Infrastructure Fund Fee</li> </ul>	<p>At time of transfer of ownership</p> <p>For non-refundable fees, upon application for planning approval</p> <p>For refundable fees, once planning approval is granted</p>
<b>Other</b>	
<ul style="list-style-type: none"> <li>Court Fines</li> <li>Other Fines</li> <li>Other Revenue</li> </ul>	<p>When fine imposed</p> <p>When fine imposed</p> <p>As earned</p>

### *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:

All conditions necessary for use of these resources have been met and/or,

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 Statement of Cash Flows, cash and cash equivalents consist of cash and short term investments as defined above, net of bank overdrafts.

## **Inventories**

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

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

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

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.

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

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

### **Prepayments**

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

### **Biological Assets**

Biological assets are turtles that are either reared for slaughter or breeding.

#### *Biological assets – Secondary Herd*

The secondary herds, 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.

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

• Medical and medical laboratory equipment	1 - 25 years
• Library assets	5 - 10 years
• Scientific and laboratory equipment	4 - 25 years
• Water and sewage treatment	10 - 50 years
• Heritage Assets	Nil
• Public Open Spaces	Nil

### **Heritage Assets**

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

### **Public Open Spaces**

Public open space zones comprise predominantly undeveloped areas of land vested, or intended to be vested, in the Government or over which the public have rights and which is available to members of the public generally (whether subject to fulfilling any lawful condition or not) for purposes of sport, recreation, or the enjoyment of study of nature. Such areas include, but are not limited to, parks, reserves, beaches, playgrounds, sports grounds and playing fields, plazas, public access ways and land set aside for public purposes development and subdivisions under the Development and Planning Regulations (2015 Revision). These assets are carried at a nominal value of \$1 in the Statement of Financial Position.

### **Disposals**

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

### **Intangible Assets**

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

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



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

### **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 (the “Fund”) and administered by the Public Service Pension Board (the “Board”). Contributions of 12% - employer 6% and employee 6% are made to the Fund by the Government.

Prior to 1 January 2000 the Board operated a defined benefit scheme. With effect from 1 January 2000 the Government continued to provide a defined benefit scheme for existing employees and a defined contributions scheme for all new employees. Obligations for contribution to defined contribution retirement plans are recognised in the Statement of Financial Performance as they are earned by employees. Obligations for defined benefit retirement plans are reported in the Statement of Financial Position and in the Statement of Financial Performance for any contributions made during the period.

With the introduction of the National Pension 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, 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.

The financial assets classified as cash and cash equivalents, accounts receivable, investments – not including those held by Cayman Islands Monetary Authority – are subsequently recorded at historical

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

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

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

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

### **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 comprises 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 revenue in the Statement of Financial Performance.

### **Fair Value**

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

### **Borrowing Costs**

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

### **Provisions**

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

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

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

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 Reward 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 30th 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. Where there is a change in accounting policies or errors and omissions, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

## **Segment Reporting**

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

The three major institutional components of the Government are:

- **Central Government:** includes the Judicial Administration, Ministries and Portfolios, Office of the Complaints Commissioner, the Office of the Information Commissioner, the Office of the Premier, The Office of Auditor General 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 2014/2015	Description	EPS 2015/2016
CI\$000		CI\$000
876	Cash on Hand	329
84,343	Operational Accounts - KYD	71,174
31,866	Operational Accounts - USD	41,349
-	Operational Accounts - GBP	5,524
10,758	Other Bank Accounts	10,268
282,395	Fixed Deposits (Less than 90 days)	104,805
<b>410,238</b>	<b>Cash and Cash Equivalents (excluding bank overdrafts)</b>	<b>233,449</b>
(3,803)	Less Overdrafts	(2,034)
<b>406,435</b>	<b>Cash and Cash Equivalents</b>	<b>231,415</b>

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

EPS	Description	EPS
CI\$000		CI\$000
279,399	Unrestricted Cash	179,202
127,036	Restricted Funds	52,213
<b>406,435</b>	<b>Cash and Cash Equivalents</b>	<b>231,415</b>

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

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

Fixed deposits and short term investments are made for varying periods, depending on the immediate cash requirements and earn interest rate at the respective short-term deposit rates.



## NOTE 3: TRADE RECEIVABLES

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
CI\$000	CI\$000		CI\$000	CI\$000
28,881	15,698	Coercive Revenue Receivable	8,572	6,287
14,611	114,534	Non-Coercive Receivable	14,889	137,466
<b>43,492</b>	<b>130,232</b>	<b>Total Trade Receivables</b>	<b>23,461</b>	<b>143,753</b>
(17,307)	(98,525)	Less: Provision for Doubtful Debts	(12,889)	(111,588)
<b>26,185</b>	<b>31,707</b>	<b>Net Trade Receivables</b>	<b>10,572</b>	<b>32,165</b>

### Movement in Provision and Impairment

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
CI\$000	CI\$000		CI\$000	CI\$000
(22,553)	(81,013)	Balance at 1 July	(17,307)	(98,525)
4,488	(20,654)	Additional provisions made during the year	(191)	(14,557)
758	3,142	Receivables written off during the period	4,609	1,494
<b>(17,307)</b>	<b>(98,525)</b>	<b>Provision for Doubtful Debts</b>	<b>(12,889)</b>	<b>(111,588)</b>

### Maturity Profile

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
CI\$000	CI\$000		CI\$000	CI\$000
26,185	31,707	Trade Receivables due in one year	10,422	32,015
-	-	Trade Receivables due after one year	150	150
<b>26,185</b>	<b>31,707</b>	<b>Net Other Receivables</b>	<b>10,572</b>	<b>32,165</b>

## NOTE 4: OTHER RECEIVABLES

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
CI\$000	CI\$000		CI\$000	CI\$000
1,597	399	Advances and Expenditure Reimbursable	3,827	2,637
912	912	Dishonoured Cheques	811	811
-	31	Interest Receivable	-	33
2,319	-	Dividends Receivable	1,399	-
-	801	Long Term Other Receivables	-	993
(501)	11,215	Other Receivable	7,525	9,966
<b>4,327</b>	<b>13,358</b>	<b>Total Other Receivables</b>	<b>13,562</b>	<b>14,440</b>
(57)	(57)	Less: provision for Doubtful Debts	(57)	(57)
<b>4,270</b>	<b>13,301</b>	<b>Net Other Receivables</b>	<b>13,505</b>	<b>14,383</b>

### Maturity Profile

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
CI\$000	CI\$000		CI\$000	CI\$000
4,270	12,500	Other Receivables due in one year	13,505	13,390
-	801	Other Receivables due after one year	-	993
<b>4,270</b>	<b>13,301</b>	<b>Net Other Receivables</b>	<b>13,505</b>	<b>14,383</b>

## NOTE 5: INVENTORIES

EPS 2014/2015	Description	EPS 2015/2016
Ci\$000		Ci\$000
1,207	Raw Materials (including consumable stores)	338
2,968	Inventory held for use in the provision of goods and services	2,625
108	Other Inventories for use within one year	1,621
1,312	Water Inventory	1,323
6,028	Pharmaceutical and Medical Supplies	7,389
2,489	Inventory of Unissued Currency Notes and Coins	2,003
700	Coins awaiting melt-down, Coins for resale and Bullions	818
1,906	Affordable Houses	661
<b>16,718</b>	<b>Total Inventories</b>	<b>16,778</b>

### Managed by:

Ci\$000		Ci\$000
2,843	Central Government	2,975
13,875	Statutory Authorities & Government Companies	13,803
<b>16,718</b>	<b>Total Inventories</b>	<b>16,778</b>

### Maturity Profile

EPS 2013/2014	Description	EPS 2014/2015
Ci\$000		Ci\$000
16,718	Inventories for use in one year	16,778
<b>16,718</b>	<b>Total Inventories</b>	<b>16,778</b>

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

Total write off of inventory due to impairment was \$231,000 (2015: \$258,000)

## NOTE 6: LOANS MADE

EPS 2014/2015	Description	EPS 2015/2016
Ci\$000		Ci\$000
12,618	Medical Loans	12,331
299	Mortgage Loans	268
74	Home School Association	74
572	Loans (due within 12 months)	2,673
35,015	Commercial Loans	31,060
177	Private Schools	137
<b>48,755</b>	<b>Total Loans Made</b>	<b>46,543</b>
(18,285)	Less: Provision for Impairment Losses	(16,258)
<b>30,470</b>	<b>Net Loans Made</b>	<b>30,285</b>

### Managed by:

Ci\$000		Ci\$000
1,865	Central Government	1,397
28,605	Statutory Authorities & Government Companies	28,888
<b>30,470</b>	<b>Total Net Loans Made</b>	<b>30,285</b>

### Movement in Provision and Impairment

EPS 2014/2015	Description	EPS 2015/2016
Ci\$000		Ci\$000
(18,114)	Balance at 1 July	(18,285)
(611)	Additional provisions made/Write-back of provisions during the year	939
440	Write off of Loans Made during the period	1,088
<b>(18,285)</b>	<b>Provision for Impairment Losses</b>	<b>(16,258)</b>

### Maturity Profile

EPS 2014/2015	Description	EPS 2015/2016
Ci\$000		Ci\$000
571	Amounts due within 12 months	2,671
29,899	Amounts due after 1 year	27,614
<b>30,470</b>	<b>Total Net Loans Made</b>	<b>30,285</b>

### 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 30th June 2016, the Government had investments amounting to \$438.5 million.

Short -Term Investments		
EPS 2014/2015	Description	EPS 2015/2016
CI\$000		CI\$000
65,216	Marketable Securities and Deposits	432,501
169	Interest Receivable	813
<b>65,385</b>	<b>Short-Term Investments</b>	<b>433,314</b>

Long-Term Investment		
EPS 2014/2015	Description	EPS 2015/2016
CI\$000		CI\$000
35,861	Marketable Securities	4,366
591	Caribbean Development Bank	591
-	- CDB - Special Development Fund	-
240	Cayman First Insurance Limited	240
<b>36,692</b>	<b>Long-Term Investments</b>	<b>5,197</b>
<b>102,077</b>	<b>Total Investments</b>	<b>438,511</b>

Investment Held by:		
915	Central Government	320,353
101,162	Statutory Authorities & Government Companies	118,158
<b>102,077</b>	<b>Total Investment</b>	<b>438,511</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 03 August 2016 and 30 April 2017, and the Federal Reserve Repurchase Agreement with a maturity date 01 July 2016, 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 2014/2015	Description	EPS 2015/2016
Ci\$000		Ci\$000
16,413	US Treasury Bills	-
31,750	Federal Reserves repurchase Agreement at 0.07%	44,333
7,395	US Treasury Notes	52,334
1,337	AAA Corporate bonds	6,561
4,156	US Fed Farm Disc Note	2,494
4,165	Fixed Deposits (over 90 days but within 365 days)	326,779
169	Interest receivable	813
<b>65,385</b>	<b>Short-Term Investments</b>	<b>433,314</b>

### Long-Term Investments

Long term investments in marketable securities are held in US Treasury Notes, AAA Corporate Bond and U.S. Government Sponsored Enterprise ("GSE") stated at market value, with interest rates ranging from 0.692% to 2.25% and maturity dates between 31 December 2017 and 20 October 2042.

EPS 2014/2015	Description	EPS 2015/2016
Ci\$000		Ci\$000
29,689	1-5 years	-
-	6-10 years	-
6,172	Over 10 years	5,197
<b>35,861</b>	<b>Long-Term Investments</b>	<b>5,197</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 30th June 2016, the value of Currency Reserve Assets was \$118.5million (2015: \$105.8 million) representing 110.88% (2015: 111.51%) of total Demand Liabilities. The value of external assets equated to 105.65% (2015: 105.19%) while the value of local assets as at 30th June 2016 equated to 5.32% (2015: 6.32%) 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

<b>Core</b> <b>2014/2015</b>	<b>EPS</b> <b>2014/2015</b>	<b>Description</b>	<b>Core</b> <b>2015/2016</b>	<b>EPS</b> <b>2015/2016</b>
CI\$000	CI\$000		CI\$000	CI\$000
4,598	5,087	Prepaid Insurance	2,491	4,520
2,935	7,655	Other Prepayments	2,498	5,347
<b>7,533</b>	<b>12,742</b>	<b>Total Prepayments</b>	<b>4,989</b>	<b>9,867</b>

### Maturity Profile

<b>Core</b>	<b>EPS</b>	<b>Description</b>	<b>Core</b>	<b>EPS</b>
CI\$000	CI\$000		CI\$000	CI\$000
7,533	12,742	Prepayments due in one year	4,989	9,867
<b>7,533</b>	<b>12,742</b>	<b>Total Prepayments</b>	<b>4,989</b>	<b>9,867</b>



## NOTE 9: BIOLOGICAL ASSETS

EPS Net 2014/2015 Restated	Description	EPS Net 2015/2016
CI\$000		CI\$000
	Livestock, at fair values:	
1,101	Secondary herd	1,290
336	Breeder herd	350
<b>1,437</b>	<b>Biological Assets</b>	<b>1,640</b>
<b>Held by:</b>		
CI\$000		CI\$000
	- Central Government	-
1,437	Statutory Authorities & Government Companies	1,640
<b>1,437</b>	<b>Total Biological Assets</b>	<b>1,640</b>

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

EPS Net 2014/2015 Restated	Description	EPS Net 2015/2016
CI\$000		CI\$000
1,096	Carrying value at beginning of year	1,101
(24)	Change attributable to differences in fair values	140
499	Biological transformation	598
(470)	Sales, at year end fair values	(549)
5	Net change in biological assets included in income	189
<b>1,101</b>	<b>Carrying value at end of year</b>	<b>1,290</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 2014/2015 Restated	Description	EPS Net 2015/2016
CI\$000		CI\$000
332	Carrying value at beginning of year	336
4	Net (decrease)/increase during the year	14
<b>336</b>	<b>Carrying value at end of year</b>	<b>350</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 30th June 2016 no new breeder (2015: one) was added to the herd and eight turtles (2015: six) were transferred to the secondary herd. As at 30th June 2016 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 2014	574,976	63,903	578,025	20,511	31,643	8,400	8,189	24,650	318,317	403,662	93,108	34,215	5,056	20,517	78,913	2,264,087
Additions	1,965	3,095	4,950	509	2,599	401	25	2,734	144	-	130	3,705	276	1,511	27,009	49,053
Revaluations	-	-	(35)	(10)	(9)	-	-	-	-	-	-	-	-	-	-	(55)
Disposal/ Derecognition	-	(1,261)	(66)	(1,196)	(4,421)	(566)	(171)	(587)	(242)	-	-	(1,247)	(95)	-	-	(9,852)
Transfers	-	819	(12,464)	103	641	13	109	30	(88)	-	3,077	2,864	(15)	-	(9,174)	(14,085)
Balance as at 30 June 2015	576,942	66,556	570,409	19,917	30,453	8,248	8,152	26,827	318,131	403,662	96,315	39,537	5,222	22,028	96,748	2,289,149
Balance as at 01 July 2015	576,942	66,556	570,409	19,917	30,453	8,248	8,152	26,827	318,131	403,662	96,315	39,537	5,222	22,028	96,748	2,289,149
Additions	5,170	5,069	5,012	637	1,343	445	785	2,294	2,018	-	144	6,975	141	3,656	17,437	51,127
Revaluations	698	-	48,652	-	-	-	-	72	-	(231,145)	-	-	-	(283)	-	(182,006)
Disposal/ Derecognition	(1,290)	(2,622)	(32)	(159)	(661)	(190)	(169)	(184)	(35)	-	-	(1,350)	-	-	417	(6,275)
Transfers	-	624	852	66	311	44	126	297	-	-	3,604	(154)	-	-	(3,892)	1,878
Balance as at 30 June 2016	581,519	69,628	624,894	20,461	31,447	8,548	8,894	29,306	320,115	172,517	100,063	45,008	5,363	25,401	110,710	2,153,873
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 2014	-	44,129.71	125,481.64	13,743.82	25,615.69	6,746.61	5,622.07	16,290.15	10,017.73	23,666.00	35,945.36	27,605.70	2,071.28	3,663.13	-	340,598.89
Eliminate on Disposal/Derecognition	-	(1,911.52)	64.83	(639.91)	(3,642.22)	(281.81)	(128.13)	(530.41)	(9,069.00)	9,752.00	-	(967.00)	(95.00)	1.00	-	(7,447.16)
Transfers	-	(480.00)	434.75	(86.00)	1,716.00	(272.00)	1.00	442.00	2.00	-	1.00	1,933.30	(7.00)	754.00	-	4,439.05
Depredation Expense	-	4,114.70	16,903.08	763.84	1,800.32	358.96	176.44	1,585.91	9,561.15	525.00	3,121.87	1,891.62	299.92	2,287.47	-	43,390.26
Impairment	-	-	693.00	-	-	-	-	-	-	-	-	-	-	-	-	693.00
Balance as at 30 June 2015	-	45,852.88	143,577.30	13,781.75	25,489.78	6,551.76	5,671.37	17,787.64	10,511.88	33,943.00	39,068.23	30,463.62	2,269.20	6,705.60	-	381,674.04
Balance as at 01 July 2015	-	45,853	143,577	13,782	25,490	6,552	5,671	17,788	10,512	33,943	39,068	30,464	2,269	6,706	-	381,674
Eliminate on Disposal/Derecognition	-	(2,913)	(23,575)	(98)	(773)	(310)	(169)	(102)	(10,012)	9,752	18	(1,900)	(0)	(0)	-	(30,082)
Transfers	-	206	(33)	414	289	46	135	15	6	-	(11)	21	-	-	-	1,088
Depredation Expense	-	4,673	20,595	1,201	2,334	611	401	1,564	11,505	525	3,261	2,809	327	1,633	-	51,439
Impairment	-	49	17,036	-	-	-	-	(49)	-	-	(126)	-	-	-	-	16,910
Balance as at 30 June 2016	-	47,868	157,601	15,299	27,340	6,900	6,038	19,216	12,011	44,219	42,210	31,394	2,596	8,339	-	421,029
Net Book value 30 June 2014	574,976	19,773	452,543	6,767	6,027	1,654	2,567	8,360	308,299	379,996	57,163	6,610	2,985	16,854	78,913	1,923,488
Net Book value 30 June 2015	576,942	20,703	426,832	6,135	4,963	1,697	2,481	9,040	307,619	369,719	57,247	9,074	2,953	15,322	96,748	1,907,475
Net Book value 30 June 2016	581,519	21,760	467,293	5,161	4,107	1,648	2,857	10,091	308,104	128,298	57,853	13,614	2,767	17,062	110,710	1,732,843

## Assets under Construction or Development

Below is a summary of major projects under construction or development as at June 30, 2016.

Agency	Description	2016 CI\$000	2015 CI\$000
Ministry of Education, Employment & Gender Affairs	NJGHS Construction	46,819	46,277
Cayman Islands Airports Authority	ORIA Expansion Project	12,937	4,738
Ministry of Education, Employment & Gender Affairs	On Hold Project GTPS	2,244	2,244
Ministry of Education, Employment & Gender Affairs	EMPS Project	835	-
Cayman Islands Port Authority	Spotts Landing Facility	315	106
Cayman Islands Port Authority	New Building (CYB)	120	120
Cayman Islands Port Authority	GT Dock Rehabilitation	114	-

### Owen Roberts International Airport Expansion and Renovation Project

The Owen Roberts International Airport Expansion and Renovation Project valued, at \$55 million is now under construction and being carried out in two main phases that includes the full renovation and expansion of the existing facility. The first phase on the west end of the terminal commenced in October 2015 is now complete.

The second phase consists of easterly and westerly expansions and renovations to the existing interior of the terminal building and all work in this phase will be carried out in several sub-phases to enable the terminal to remain fully functional, safe and secure throughout the construction period. Phase two works commenced in September 2016 and is scheduled to be completed in 2018.

### 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 Charges as at 30 June 2016
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 30th June 2016 by in-house professionals with the exception of specialized buildings which were contracted to independent evaluators and are stated at revalued amounts less accumulated depreciation. Plant and equipment, are stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is 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 the Cayman Islands there is no tax on property except for Stamp Duty which is ordinarily required to be paid by a purchaser.

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

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

## NOTE 11: INTANGIBLE ASSETS

Entire Public Sector  
C1'000

### Cost of Intangible Asset

	<i>Computer Software</i>	<i>Other Intangible Assets</i>	<i>Intangible Assets under construction or development</i>	<i>Total</i>
<b>Balance as at 1 July 2014</b>	21,184	54	1,861	23,099
Additions	1,973	2	(177)	1,798
Revaluations	2	-	-	2
Disposal/ Derecognition	(667)	-	-	(667)
Transfers	22	-	-	22
<b>Balance as at 30 June 2015</b>	22,514	56	1,684	24,254

<b>Balance as at 01 July 2015</b>	22,514	56	1,684	24,254
Additions	1,293	-	44	1,337
Revaluations	591	-	-	591
Disposal/ Derecognition	(1,198)	-	-	(1,198)
Transfers	(273)	-	(50)	(323)
<b>Balance as at 30 June 2016</b>	22,926	56	1,678	24,660

### Accumulated Amortization and impairment losses

	<i>Computer Software</i>	<i>Other Intangible Assets</i>	<i>Intangible Assets under construction or development</i>	<i>Total</i>
<b>Balance as at 1 July 2014</b>	16,642	25	-	16,667
Eliminate on Disposal/Derecognition	(1,112)	-	-	(1,112)
Transfers	(17)	-	-	(17)
Amortization Expense	1,217	12	-	1,229
Impairment	-	-	-	-
<b>Balance as at 30 June 2015</b>	16,730	37	-	16,767

<b>Balance as at 01 July 2015</b>	16,730	37	-	16,767
Eliminate on Disposal/Derecognition	(137)	-	-	(137)
Transfers	(299)	-	-	(299)
Amortization Expense	1,801	12	-	1,813
Impairment	-	-	-	-
<b>Balance as at 30 June 2016</b>	18,095	49	-	18,144

<b>Net Book value 30 June 2014</b>	4,543	29	1,861	6,433
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<b>Net Book value 30 June 2015</b>	5,783	19	1,684	7,487
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<b>Net Book value 30 June 2016</b>	4,831	7	1,678	6,516
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## NOTE 12: INVESTMENT PROPERTY

EPS Net 2014/2015 CI\$000	Description	EPS Net 2015/2016 CI\$000
<b>Cost</b>		
19,903	Balance as at 1 July	19,906
2	Additions	43
<b>19,906</b>	<b>Total Cost</b>	<b>19,949</b>
<b>Accumulated Depreciation</b>		
3,699	Balance as at 1 July	4,133
434	Charge for Year	438
<b>4,133</b>	<b>Total Accumulated Depreciation</b>	<b>4,571</b>
<b>15,772</b>	<b>Net Book value</b>	<b>15,378</b>
<b>Managed by:</b>		
<b>CI\$000</b>		<b>CI\$000</b>
-	Central Government	-
15,772	Statutory Authorities & Government Companies	15,378
<b>15,772</b>	<b>Total Loans Made</b>	<b>15,378</b>

Investment Property consist of retail shops which are leased.

Management received an independent professional appraisal of the Investment Property from BCQS as at 30th June 2016. 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 to better inform the decision to move to the fair value method. This is being pursued but was not concluded for the year ended 30 June 2016.

EPS Net 2014/2015 CI\$000	Description	EPS Net 2015/2016 CI\$000
1,159	Rental income from investment properties	1,088
	Direct operating expenses arising from investment property	
1,131	that generated rental revenue during the period	-
	Direct operating expenses arising from investment property	
-	- that did not generate rental revenue during the period	-



## NOTE 13: TRADE PAYABLES, OTHER PAYABLES & ACCRUALS

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
CI\$000	CI\$000		CI\$000	CI\$000
12,322	30,163	Trade Payables	15,947	20,213
759	7,294	Payroll Deductions	1,201	1,632
25,462	25,981	Accruals	34,768	38,385
1	1	Trust liabilities	1	1
12	185	Transfers payable	31	862
3,942	4,170	Interest	3,782	3,848
17,861	-	Core government trade with other public entities	22,417	-
2,017	-	Amounts due to public entities	2,028	-
3,668	3,668	Owing to trusts	3,676	3,677
-	-	Accruals- Equity Injection	377	-
2,395	8,418	Other Payables	2,070	14,425
<b>68,439</b>	<b>79,880</b>	<b>Total Trade Payables, Accruals and Other Payables</b>	<b>86,298</b>	<b>83,043</b>

### Maturity Profile

Core CI\$000	EPS CI\$000	Description	Core CI\$000	EPS CI\$000
68,380	79,683	Current	86,298	82,839
59	197	Non-current	-	204
<b>68,439</b>	<b>79,880</b>	<b>Total Trade Payables, Accruals and Other Payables</b>	<b>86,298</b>	<b>83,043</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 (2015: \$3.8 million).

### Weather Radar Fund

On 30 March 2009, the Cayman Islands Airports Authority, on behalf of the Cayman Islands Government, entered into a contract with the Delegation of the European Community for a grant of €4.1 million to construct a Digital Early Warning Station (Doppler Digital Weather Radar Project). As at 30 June 2016, the balance held on behalf of the Weather Radar Project was CI\$569,407.12 (2015: CI\$ 476,837.29).

## NOTE 14: UNEARNED REVENUE

EPS 2014/2015	Description	EPS 2015/2016
CI\$000		CI\$000
2,019	Customs Deposits	1,493
18,353	Immigration Deposits	26,411
9,013	Cayman Airways Deposits	8,966
4,131	General Registry Deposits	5,416
11	Lease of Crown Lands	14,220
6,711	Revenue and Other Deposits Held	8,776
<b>40,238</b>	<b>Total Unearned Revenue</b>	<b>65,282</b>
<b>Held by</b>		
CI\$000		CI\$000
26,173	Central Government	51,396
14,065	Statutory Authorities & Government Companies	13,886
<b>40,238</b>	<b>Total Unearned Revenue</b>	<b>65,282</b>

### Maturity Profile

EPS 2014/2015	Description	EPS 2015/2016
CI\$000		CI\$000
40,238	Current	65,282
<b>40,238</b>	<b>Total Unearned Revenue</b>	<b>65,282</b>

## NOTE 15: EMPLOYEE ENTITLEMENTS

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
Ci\$000	Ci\$000		Ci\$000	Ci\$000
6,422	7,901	Annual Leave	6,051	7,174
486	848	Salary & Wages	593	1,008
1,613	1,658	Other	1,963	2,315
<b>8,521</b>	<b>10,407</b>	<b>Total Employment Entitlement</b>	<b>8,607</b>	<b>10,497</b>

### Maturity Profile

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
Ci\$000	Ci\$000		Ci\$000	Ci\$000
8,521	10,407	Current	8,607	10,497
<b>8,521</b>	<b>10,407</b>	<b>Total Employment Entitlement</b>	<b>8,607</b>	<b>10,497</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

Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
Ci\$000	Ci\$000		Ci\$000	Ci\$000
196,257	227,018	Pension Liability	415,776	449,495
-	-	Post Retirement Health Care Liability	-	31,758
-	30	Other Post Retirement Liability	-	30
<b>196,257</b>	<b>227,048</b>	<b>Total Retirement Benefits</b>	<b>415,776</b>	<b>481,283</b>

Maturity Profile				
Core 2014/2015	EPS 2014/2015	Description	Core 2015/2016	EPS 2015/2016
Ci\$000	Ci\$000		Ci\$000	Ci\$000
11,400	15,026	Current	29,400	33,312
184,857	212,022	Non-current	386,376	447,971
<b>196,257</b>	<b>227,048</b>	<b>Total Retirement Benefits</b>	<b>415,776</b>	<b>481,283</b>

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 recognizes and provides for actuarially determined present value of retirement obligation on an accrual basis, using the Projected Unit Credit method.

### Pensions

The Government participates in various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The 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.

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

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

### Pension Liability Fair Value Presentations

IPSAS 25 – 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 result of the 2016 actuarial valuation is a net liability of \$449.5 million (central government net liability - \$415.8 million). A summary of the results are shown below:

	2015/2016 Ct\$000	2014/2015 Ct\$000
Core Government	398,622	183,794
Parliamentarian Pensions	17,030	12,910
Judicial Pensions	124	(447)
Central Government Pension Liability Fair Value	415,776	196,257
Statutory Authorities and Government Companies	33,719	30,791
<b>Entire Public Sector Pension Liability Fair Value</b>	<b>449,495</b>	<b>227,048</b>

Amounts recognised in the statement of financial position

	Public Service Pensions Plan Ct\$000	Parliamentary Pensions Plan Ct\$000	Judiciary Pensions Plan Ct\$000	Total Central Government Ct\$000	Statutory Authorities Ct\$000	Entire Public Sector Pension Ct\$000
Present value benefit obligation	767,704	32,886	6,371	806,961	64,190	871,151
Fair Value of plan assets	243,437	9,641	5,791	258,869	30,471	289,340
Deficit/Surplus for funded plans	524,267	23,245	580	548,092	33,719	581,811
Unrecognised net actuarial gain/(loss)	(125,645)	(6,215)	(456)	(132,316)	-	(132,316)
<b>Net liability/(asset)</b>	<b>398,622</b>	<b>17,030</b>	<b>124</b>	<b>415,776</b>	<b>33,719</b>	<b>449,495</b>

## Principal Assumptions

The principal assumptions used in the computation of the actuarial estimate of the pension obligation for the Pension Plans, as at 30th June are as follows:

	2016
Discount rate (weighted average assumptions to determine benefit obligations)	4.00%
Discount rate (weighted average assumptions to determine net pension cost)	4.00%
Expected long term rate of return on plan assets	7.00%
Rate of salary increase	3.50%
Rate of price inflation	2.50%
Rate of pension increases	2.50%
Assumed life expectations on retirement age 65	
Retiring today (member age 65)	30.12
Retiring in 25 years (member age 65 today)	32.49

## Plan Assets

Percentage of plan assets by asset allocation:

	2016
Equity Investments	80.00%
Debt Securities	19.00%
Other	1.00%

Actual return on plan assets was \$0.9 million

### **Pensions Funding Valuation**

An Actuarial Valuation with an effective date of 1st January 2014 was conducted for the Public Service Pension Fund. The Public Service Pension Fund constitutes three separate Plans; the Public Service Pensions Plan, the Parliamentary Pensions Plan and the Judiciary Pensions Plan. These Actuarial Valuation Reports were accepted by the Public Service Pension Board and are waiting Cabinet to be tabled in the Legislative Assembly.

The actuarial valuation calculated a fund deficiency of \$226 million as at January 1, 2014, using a discount rate of 7%. This represents fund deficiencies arising from participants having accrued considerable defined benefit entitlements prior to the establishment of the pension fund.

### **Future Contribution Requirement**

In order to sustain the Fund, contributions for defined contribution participants need to be 12.4% or \$23.19 million per year of salary and wages.

The contribution needed for defined benefit participants is required to be \$29.87 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 \$53.06 million or 15.04% of salary and wages.

The Government in June 2016 approved and paid additional lump sum contribution into the fund of \$18 million.

### **Post-Retirement Health Care Benefit**

In addition to the Past Service Pension Liability, the Government also recognizes its obligations for the 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 October 2016, estimated the post-retirement health care obligation as at 30th June 2016 to be \$1.7 billion with the post-retirement medical expense totalling \$141 million for the year ended 30th June 2016. 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, for Central Government.

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

There are some Statutory Authorities and Government Companies who have accrued a post-retirement health care cost as at 30th June 2016 of \$31.8 million. The amounts recognised in the balance sheet represent the present value of unfunded obligations, actuarially determined for 30th June 2016.

#### **Other Post Retirement Benefit**

In 1997 the Board of Directors of Cayman Turtle Farm (1983) Limited approved a severance pay package entitling employees with over 25 years of service to a cash payment on retirement and payment of their health insurance premiums after retirement for a period to be determined by the Board of Directors. There are no eligible employees at June 30, 2016 (2015: None) and the total liability of the Company in respect of past service benefits for retired employees is approximately CI\$29,771 (2015: CI\$29,771).

## NOTE 17: BORROWING /PUBLIC DEBT

Description	Opening Balance 1st July 2015	Drawdowns/ Additions	Repayments	Revaluation	Closing Balance 30th June 2016
	CI\$000	CI\$000	CI\$000	CI\$000	CI\$000
Core	523,322	-	20,003	(1)	503,318
Water Authority of the Cayman Islands	9,225	-	5,298	-	3,926
Port Authority of the Cayman Islands	3,183	-	1,430	-	1,753
Cayman Islands Development Bank	32,521	-	312	-	32,209
Health Services Authority	1,631	-	242	-	1,389
National Housing Development Trust	16,980	-	1,237	-	15,743
Cayman Airways Limited	24,583	-	4,215	-	20,368
Cayman Islands Turtle Farm (1983) Limited	18,229	-	3,742	-	14,486
<b>Total</b>	<b>629,672</b>	<b>-</b>	<b>36,480</b>	<b>(1)</b>	<b>593,191</b>

### Maturity Profile

Core Net 2014/2015 \$'000	EPS 2014/2015 \$'000		Core Net 2015/2016 \$'000	EPS 2015/2016 \$'000
<b>Local Currency Debt</b>				
-	874	Not later than one year	-	882
-	891	Between one and two years	-	786
-	1,394	Between two and five years	-	2,701
-	7,132	Later than five Years	-	3,779
-	<b>10,291</b>	<b>Total Local Currency Debt</b>	-	<b>8,148</b>
<b>Foreign Currency Debt (stated in \$CI)</b>				
20,943	30,028	Not later than one year	34,878	46,979
34,904	50,542	Between one and two years	34,869	46,035
317,491	353,882	Between two and five years	337,759	363,744
149,984	184,929	Later than five years	95,812	128,285
<b>523,322</b>	<b>619,381</b>	<b>Total Foreign Currency Debt</b>	<b>503,318</b>	<b>585,043</b>
<b>523,322</b>	<b>629,672</b>	<b>Total Outstanding Debt</b>	<b>503,318</b>	<b>593,191</b>
<b>Local Currency Marketable Securities and Deposits</b>				
-	4,165	Not later than one year	-	7,875
-	-	Between one and two years	-	-
-	-	Between two and five years	-	-
-	-	Later than five years	-	-
-	<b>4,165</b>	<b>Total Local Currency Marketable Securities and Deposits</b>	-	<b>7,875</b>
<b>Foreign Currency Marketable Securities and Deposits (stated in CI\$)</b>				
-	61,051	Not later than one year	319,522	425,440
-	-	Between one and two years	-	-
-	29,689	Between two and five years	-	-
-	6,172	Later than five years	-	4,366
-	<b>96,912</b>	<b>Total Foreign Currency Marketable Securities and Deposits</b>	<b>319,522</b>	<b>429,806</b>
-	<b>101,077</b>	<b>Less :Total Marketable Securities and Deposits</b>	<b>319,522</b>	<b>437,681</b>
<b>523,322</b>	<b>528,595</b>	<b>Net Public Debt</b>	<b>183,796</b>	<b>155,510</b>
Core Net 2014/2015 \$'000	EPS 2014/2015 \$'000		Core Net 2015/2016 \$'000	EPS 2015/2016 \$'000
20,943	30,902	Current Portion	34,878	47,861
502,379	598,770	Non-current Portion	468,440	545,330
<b>523,322</b>	<b>629,672</b>	<b>Total Debt</b>	<b>503,318</b>	<b>593,191</b>



## NOTE 18: PROVISIONS

EPS 2014/2015	Description	EPS 2015/2016
CI\$000		CI\$000
8,990	Provision for health claims incurred but not yet reported	10,216
2,667	Other Provisions	2,661
<b>11,657</b>	<b>Total Provisions</b>	<b>12,877</b>

### Movement in Provisions

EPS 2014/2015	Description	EPS 2015/2016
CI\$000		CI\$000
10,987	Balance at 1 July	11,657
670	Additional provisions made during the year	1,214
-	Provisions utilised during the year	6
<b>11,657</b>	<b>Provision for Impairment Losses</b>	<b>12,877</b>

### Maturity Profile

EPS 2014/2015	Description	EPS 2015/2016
CI\$000		CI\$000
11,657	Current	12,877
-	Non-current	-
<b>11,657</b>	<b>Total Provisions</b>	<b>12,877</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.

### **Frequent Flyer Programme**

Other provisions include a provision in respect of the frequent flyer programme. This provision is released when points are used or when they become non-redeemable. Points are redeemable for a maximum of three years in the event of non-activity in dormant accounts. The Company uses an estimated value of redeemed travel, based on historical average fares, to determine the value attributed on each mile. The provision is included as a liability on the Statement of Financial Position.

### **Casualty Investigation Fund**

The Cayman Islands Government/Maritime Authority of the Cayman Islands (MACI) is party to the SOLAS Convention and is obliged to investigate certain marine casualties and publish the report of the findings. The investigations are required by International Maritime Organization's mandatory "Casualty Investigation Code" (MSC.255 (84)). During the 2015/16 financial year MACI created a sinking fund with the funds from the sinking fund to be designated for carrying out casualty investigation on board Cayman registered vessels. The fund currently has a balance of \$109,484, of which the full amount form part of the cash balance.

## NOTE 19: CURRENCY ISSUED

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

EPS	Description	EPS
2014/2015		2015/2016
CI\$000		CI\$000
84,251	Currency notes in circulation	95,738
10,636	Currency coins in circulation	11,138
<b>94,887</b>	<b>Total Demand Liabilities</b>	<b>106,876</b>

The Monetary Authority Law (2011 Revision) mandates that a reserve shall represent at least 15% of Demand Liabilities.

## NOTE 20: RESERVES

EPS 2014/2015	Description	EPS 2015/2016
Ci\$000		Ci\$000
2,207	Housing Guarantee Reserve Fund	1,248
56,896	Environmental Protection Fund	59,227
2,228	Infrastructure Development Fund	2,228
18,196	Sinking Fund for 2009 Bond Issue	18,336
1,912	Student Loan Reserve Fund	2,021
4,654	National Hurricane Disaster Reserve Fund	5,077
69,006	General Reserve	67,877
375	Currency Issue Reserve	375
850	Capital Expenditure Reserve	1,252
287	Restricted Funds and Contingency Reserves	299
806,179	Asset Revaluation Reserve	522,158
<b>962,790</b>	<b>Total Reserves</b>	<b>680,098</b>

### Housing Guarantee Reserve Fund

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

### The Environmental Protection Fund

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

### Infrastructure Development Fund

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

### Sinking Fund for 2009 Bond Issue

The Sinking Fund for 2009 Bond Issue was created to fund future payments for the retirement of a 2009 Bond that matures in 2018.

### **Student Loan Reserve Fund**

The Student Loan Reserve Fund was established in 1999 in accordance with Section 30 of the Public Finance and Audit Law (23 of 1985) (1997 Revision). Its purpose is to support the Government's guarantee of 100% on student loan administered by the Cayman Islands Development Bank.

### **National Disaster Reserve Fund**

The National Disaster Fund was established in 1999 in accordance with section 30 of the Public Finance and Audit Law (1997 Revision). Its purpose is to assist in dealing with and recovering from the events of a national disaster.

### **General Reserves**

General Reserves include the General Funds Reserve for Central Government and General Reserve for the Cayman Islands Monetary Authority.

General Funds Reserve is an accumulation of Government surpluses which are set aside for the benefit of the Islands. Disbursements from the reserve are approved by the Legislative Assembly. The General Reserve Fund was \$45.9 million (2015: \$45.7 million).

Cayman Islands Monetary Authority maintains a General Reserve in accordance with Section 8 of the Monetary Authority Law (2013 Revision) ("MAL"), to provide additional funding if necessary for Demand Liabilities and obligations arising from other business of the Authority. In accordance with section 8 of the MAL, the General Reserve shall represent at least 15% of Demand Liabilities. As at 30th June 2016, The General Reserve was \$20.6 million (2015: \$19.8 million) equating to 19.31% (2016: 20.86%) of Demand Liabilities.

### **Currency Issue Reserve**

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

### **Capital and Operational Expenditures Reserves**

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

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

Under Section 9 of the Monetary Authority Law (2013 Revision), the net profits of the Authority for any financial year shall include, but shall not be limited to, the income from the investments of the Authority, and the profit from the sales of investments belonging to the Authority, and shall be determined by the Authority after meeting or providing for all expenditure for that year and making such provisions for contingencies and the establishment of such additional reserves as it may consider desirable. The Capital Expenditures Reserve has been established for the implementation and

acquisition of key capital projects including the Regulatory Electronic Enhancement Filing System (REEFS), and various Other Information Technology Projects. The Operational Expenditure Reserve will fund the operating costs associated with these key projects.

#### *Statutory Reserve Fund*

Under Section 20 of the Cayman Islands Development Bank Law (2004 Revision), the Bank is required to establish a reserve. The Bank transfers 20% of its annual net income until the balance reaches the paid-up portion of the authorized capital of the Bank (currently \$7.3 Million). There was a transfer of \$2,126 to the Reserve Fund for year ended June 30, 2016 as the bank made a net profit (2015: Nil).

#### **Restricted Funds and Contingency Reserve**

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

The contingency reserve was established by the Board of Control and Trustees as a precautionary measure to meet costs of overcoming any disaster that might befall the Museum in the future and is equal to the estimated operating costs of the Museum for a two month period. At 30th June 2016, the Museum's equity includes a contingency reserve of CI\$200,000 (2015: CI\$200,000). The contingency reserve is in the form of fixed deposits included in cash and cash equivalents.

#### **Assets Revaluation Reserves**

A revaluation is conducted periodically to reflect the major changes in fair market value of fixed assets. Revaluation increases are credited directly to an equity account, to which any decrease of revaluation will be debited for the same classes of assets. A revaluation was carried out during the fiscal year 2015/2016 for the majority of fixed assets owned by the Cayman Islands Government and a total reduction of \$257 million was debited to the Assets Revaluation Reserves.

## NOTE 21: COERCIVE REVENUE

EPS 2014/2015 C\$000	Description	EPS 2015/2016 C\$000
171,802	Levies on International Trade and Transactions	176,328
408,343	Domestic Levies on Goods and Services	421,301
40,878	Levies on Property	55,428
1,847	Fines	2,151
633	Other Executive Revenue	18,053
<b>623,503</b>	<b>Total Coercive Revenue</b>	<b>673,261</b>

Coercive revenue types and percentages (%) of earnings during 2015/2016 with comparative data is shown below:

EPS Actual 2014/2015 C\$000	Description	EPS Actual 2015/2016 C\$000	% of Total Coercive %
156,393	Import Duties	159,834	24%
32,795	Banks and Trust Licenses	31,592	5%
140,739	Company Registry Fees	146,863	22%
79,914	Work Permits & Other Immigration Fees	79,364	12%
43,139	Mutual Fund Administrators	44,544	7%
38,967	Stamp Duty - Land Transfers	52,987	8%
15,409	Cruise & Environment Tax	16,494	2%
20,643	Tourist Accommodation Charges	21,134	3%
	- Proceeds of Liquidated Entities	16,652	2%
95,505	Other Fees	103,797	15%
<b>623,503</b>	<b>Total Coercive Revenue</b>	<b>673,261</b>	<b>100%</b>

## NOTE 22: SALES OF GOODS AND SERVICES

<b>Core Actual</b> <b>2014/2015</b> <b>CI\$'000</b>	<b>EPS</b> <b>2014/2015</b> <b>CI\$000</b>	<b>Description</b>	<b>Core Actual</b> <b>2015/2016</b> <b>CI\$000</b>	<b>EPS Actual</b> <b>2015/2016</b> <b>CI\$000</b>
24,326	78,383	Fees and Charges	25,938	63,048
5,277	130,060	General Sales	5,567	153,479
1,380	2,644	Rentals	842	2,703
3,179	-	Outputs to Other Government Agencies	2,416	-
598	50,391	Other Sales of Goods and Services	1,065	42,160
<b>34,760</b>	<b>261,479</b>	<b>Total Sales of Goods and Services</b>	<b>35,828</b>	<b>261,390</b>

A summary of the entity revenues earned during the financial year ended 30th June 2016 along with the comparative data is provided below:

<b>EPS Actual</b> <b>2014/2015</b>  <b>CI\$000</b>	<b>Description</b>	<b>EPS Actual</b> <b>2015/2016</b>  <b>CI\$000</b>	<b>% of Total</b> <b>Sales of Goods</b> <b>and Services</b> <b>%</b>
53,698	Airline Revenues	74,096	28.3%
130,622	Other Miscellaneous fees	123,112	47.1%
22,933	Water Sales	31,401	12.0%
34,284	Port Revenues	16,213	6.2%
5,327	Marine Survey Fees	5,386	2.1%
100	Health Care Services	-	0.0%
7,435	Passenger Charges and Taxes	4,382	1.7%
4,365	Sewerage fees	4,288	1.6%
2,715	Garbage Fees	2,512	1.0%
<b>261,479</b>	<b>Total Sales of Goods and Services</b>	<b>261,390</b>	<b>100%</b>



## NOTE 23: INVESTMENT REVENUE

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

<b>Core Actual</b>	<b>EPS</b>	<b>Description</b>	<b>Core</b>	<b>EPS</b>
<b>2014/2015</b>	<b>2014/2015</b>		<b>2015/2016</b>	<b>2015/2016</b>
<b>CI\$000</b>	<b>CI\$000</b>		<b>CI\$000</b>	<b>CI\$000</b>
828	1,620	Interest on Cash and Deposits	2,143	2,930
1	1,204	Royalties	1	1,257
18	1,676	Other	17	1,482
200	200	Investment in Sagicor	-	-
<b>1,047</b>	<b>4,700</b>	<b>Total Investment Revenue</b>	<b>2,161</b>	<b>5,669</b>

#### NOTE 24: DONATIONS

During the year ended 30th June 2016, the Government received donations totalling \$0.9 million. The majority of these funds, approximately \$0.6 million were received by Statutory Authorities and Government Owned Companies, which normally receive donations as part of normal operations. All obligations relating to these donations have been satisfied and are therefore recognised as revenue.

<b>Core Actual</b> <b>2014/2015</b>	<b>EPS</b> <b>2014/2015</b>	<b>Description</b>	<b>Core Actual</b> <b>2015/2016</b>	<b>EPS Actual</b> <b>2015/2016</b>
CI\$000	CI\$000		CI\$000	CI\$000
283	1,081	Donation Received	317	931
<b>283</b>	<b>1,081</b>	<b>Total Donation Received</b>	<b>317</b>	<b>931</b>

## NOTE 25: PERSONNEL COSTS

Core Actual 2014/2015 C\$000	EPS Actual 2014/2015 C\$000	Description	Core Actual 2015/2016 C\$000	EPS Actual 2015/2016 C\$000
181,250	311,157	Salaries, Wages and Allowances	195,525	333,653
32,253	6,692	Health Care	32,906	7,625
12,511	17,396	Pension	11,404	19,713
422	421	Leave	558	552
9,500	10,794	Defined Benefit Pension Liability	22,052	25,389
-	-	Post Retirement Health Care Liability	-	5,868
1,174	6,335	Other Personnel Costs	1,141	7,316
<b>237,110</b>	<b>352,795</b>	<b>Total Personnel Costs</b>	<b>263,586</b>	<b>400,116</b>

As at 30th June 2016 Government total staff complement was 5,964 employees (2015: 5,846 employees):

	2016	2015
Core Government	3,603	3,571
Statutory Authorities & Government Companies	2,361	2,275
<b>Total number of employees</b>	<b>5,964</b>	<b>5,846</b>

### Health Care

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

### Pension

All pensionable employees (persons below the age of 60) participate in the Public Service pension scheme. The scheme has three plans; the Public Service Pension Plan, the Parliamentary Pension Plan and the Judiciary Pension Plan. The Parliamentary and Judicial Pension Plans are based on defined benefit i.e. the Government bears the risk should the plans fail. The Public Service Pensions Plan has both a defined benefit element as described above and a defined contribution where the participants bear the risk should the plan fail.

### Annual Leave Provision

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

All staff leave are guided by the Public Service Management Law.

## NOTE 26: SUPPLIES AND CONSUMABLES

<b>Core Actual 2014/2015</b>	<b>EPS Actual 2014/2015</b>	<b>Description</b>	<b>Core Actual 2015/2016</b>	<b>EPS Actual 2015/2016</b>
<b>CI\$000</b>	<b>CI\$000</b>		<b>CI\$000</b>	<b>CI\$000</b>
14,730	51,276	Supplies and Materials	16,720	48,323
38,649	92,909	Purchase of services	41,186	95,491
13,331	24,011	Utilities	11,714	20,760
6,859	13,567	General Insurance	5,785	11,606
1,579	2,600	Travel and Subsistence	1,828	4,232
1,372	2,641	Recruitment & Training	2,246	3,365
2,353	36,218	Other	3,547	32,245
<b>78,873</b>	<b>223,222</b>	<b>Total Supplies &amp; Consumables</b>	<b>83,026</b>	<b>216,022</b>

## NOTE 27: DEPRECIATION AND AMORTISATION EXPENSE

<b>Core Actual 2014/2015</b>	<b>EPS Actual 2014/2015</b>	<b>Description</b>	<b>Core Actual 2015/2016</b>	<b>EPS Actual 2015/2016</b>
<b>CI\$000's</b>	<b>CI\$000's</b>			<b>CI\$000's</b>
30,082	49,125	Property, Plant, and Equipment	32,711	51,552
780	1,287	Intangible Assets	975	1,861
-	434	Investment Property	-	438
<b>30,862</b>	<b>50,846</b>	<b>Total Depreciation and Amortization</b>	<b>33,686</b>	<b>53,851</b>

## NOTE 28: OUTPUTS FROM NON-GOVERNMENT ORGANIZATIONS

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

Total purchase of outputs from NGOs in 2015/2016 was \$32.4 million (2015: \$29.5 million). The largest category of these payments was for the provision of tertiary care to overseas organisations, which totalled \$17.3 million or 54% (2015: \$16.8 million or 57%) of Outputs from Non-Government Organizations.

EPS Actual 2014/2015 C\$000	Description	EPS Actual 2015/2016 C\$000
27	Autism Diagnostics and Sexual Trauma Recovery Programme	26
104	Burial Assistance for Indigents	99
1,400	Care of the Indigent, Elderly and Disabled Persons	1,800
116	Community Programmes	124
118	Elite Athletes Programme	79
126	Employee Assistance Programme	126
225	Foster Care for Children	225
3	Gardening Projects and Landscaping	3
117	General Programmes and Children Services	117
22	HIV/AIDS and First Aid Public Education Programmes	22
31	K9 Security Services	23
259	Land & Sea Cooperative	237
2,959	Legal Aid Services	3,100
-	Management of Small Business Development	(7)
9	Mentoring Cayman Programme	9
60	Music Therapy Services	-
20	Organisation of Batabano Festival	30
48	Organization of the Miss Cayman Committee Pageant	50
31	Organize, Administer and Execute the Cayman Islands Fishing Tournament	30
6	Other Cultural Program	21
45	Other Sports and Cultural Programmes	-
51	Palliative Care Nursing	51
620	Preservation of Natural Environments and Places of Historic Significance	770
1,530	Primary and Secondary Education by Private Schools	1,530
1,566	Rental Accommodation for Persons in Need	1,853
96	School Lunch and Uniform Programmes	124
1,740	Services for Refugees	3,348
45	Social Marketing for Prevention of HIV/AIDS	45
7	Spaying and Neutering of Dogs and Cats	16
30	Sports Grants	79
735	Sports Programmes	679
54	Supervision of Pre-School Children	54
300	Support for Battered Women and Children	300
90	Teaching of Tertiary Education Courses	90
16,821	Tertiary Care at Various Overseas Institutions	17,354
10	Therapeutic Services for Young Persons	11
24	Youth Development Programmes	39
<b>29,445</b>	<b>Total Outputs from Non-government Organizations</b>	<b>32,456</b>

## NOTE 29: TRANSFER PAYMENTS

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

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

In the 2015/2016 financial year, the Government of the Cayman Islands made transfer payments of \$30.2 million (2015: \$27.3 million). Included in the amount was \$10.7 million (2015: 9.0 million) in local and overseas education scholarships, \$7.3 million (2015: \$6.6 million) in Poor Relief, \$6.2 million (2015: \$6.2 million) in benefit payments to seamen and ex-servicemen.

EPS Actual 2014/2015	Description	EPS Actual 2015/2016
CI\$000		CI\$000
-	Disaster Relief Assistance	419
-	Assistance for Infrastructure Development	26
-	Assistance in respect to Importation of Livestock	25
1,074	Benefit Payments to Ex-Servicemen	999
523	Children and Family Services Support	358
82	Emergency Relief Payments	99
542	Employment Initiatives	561
-	Housing Assistance	172
9,000	Local and Overseas Scholarships and Bursaries	10,763
20	Miss Cayman Scholarship	17
-	Needs Assessment Support	393
193	Other Educational Assistance	180
32	Other Health & Cultural Programme Assistance	150
102	Other Youth and Sports Programmes	520
5,935	Poor Relief Payments	5,799
665	Poor Relief Vouchers	1,500
8	Pre-School Assistance	19
100	Sister Islands Home Repairs Assistance	93
534	Sports and Cultural Tourism Programmes Assistance	426
486	Student Enrichment & Support Services	555
70	Support for Services of the Red Cross	70
60	Support for the Bridge Foundation	60
17	Temporary Poor Relief for Young Parents Programme (YPP) Students	13
615	Tourism Scholarships	617
942	Young Nation Builders Scholarships	180
8	Youth After Care Payments	13
93	Youth Programmes and Other Non-Government Organizations	82
71	Athlete Development	0
5,151	Ex-Gratia Benefit Payments to Seamen	5,222
318	Other Youth, Sports and Cultural Programme Assistance	0
536	Pre-School Educational Assistance	714
97	Support to Local Business Associations	140
<b>27,274</b>	<b>Transfer Payments</b>	<b>30,185</b>

## NOTE 30: OTHER EXECUTIVE EXPENSES

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

Also included in executive expenses is the allowance for doubtful debts which have not been budgeted in the financial year.

EPS Actual C\$000	Description	EPS Actual C\$000
36	Bank Charges	45
488	Caribbean Catastrophe Risk Insurance Facility	454
152	Caribbean Economic Community (CARICOM) Fees	153
3	Caribbean Food & Nutrition Institute Subscription	3
5	Caribbean Health Research Council Subscription	5
95	Commonwealth Parliamentary Association	125
352	Compensation	268
654	Constituency Allowance	671
123	Contribution to Caribbean Financial Action Task Force	46
542	Court of Appeal Expenses	468
991	Judiciary Expenses	1,305
-	New Court House	208
11	Pan American Health Organisation Subscription	6
-	Settlement of Claims	350
11	Subscription to Caribbean Examinations Council	11
161	University of the West Indies Membership Levy	161
3	World Anti-Doping Agency	5
10	Caribbean Epidemiology Centre Subscription	13
3	Conference Contributions	120
442	Debt Write off-Executive Transactions	499
14,445	Doubtful Debt Expenses	14,257
-	Postal Supplies-Exec Org	2
3	Regional Anti-Doping Organization	3
243	Settlement of Case	5,039
31	Settlement of Court Order	-
333	Settlement of Government Guarantees	59
55	Universal Postal Union	40
<b>19,192</b>	<b>Total Other Operational Expenses</b>	<b>24,316</b>



## NOTE 31: FINANCING COSTS

During the year ended 30th June 2016, the Government incurred financing charges of \$31.0 million in relation to its public debt.

EPS Actual 2014/2015	Description	EPS Actual 2015/2016
Ci\$000		Ci\$000
32,353	Interest on borrowings	30,209
927	Other borrowing costs	798
<b>33,280</b>	<b>Total Finance Costs</b>	<b>31,007</b>

### Costs attributed to

EPS 2013/2014	Description	EPS 2014/2015
Ci\$000		Ci\$000
28,518	Central Government	27,609
4,762	Statutory Authorities & Government Companies	3,398
<b>33,280</b>	<b>Total Finance Costs</b>	<b>31,007</b>

NOTE 32: RECONCILIATION OF SURPLUS TO NET OPERATING CASH FLOW

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>RECONCILIATION OF SURPLUS TO OPERATING</b> <b>CASH FLOW</b> <b>AS AT 30 JUNE 2016</b>	
	<b>Actual</b> <b>2015/2016</b> <b>CI\$000</b>
<b>Surplus/(deficit) from ordinary activities</b>	148,532
<b>Non-cash movements</b>	
Depreciation expense	53,851
Losses on non-financial instruments	1,604
Losses on revaluation of assets	130
Impairment of assets	(107)
Gain on foreign exchange transactions	(2,913)
Increase in provision for bad debt	685
<b>Changes in assets and liabilities:</b>	
(Increase)/decrease in receivables	(458)
(Increase)/decrease in inventories	(61)
(Increase)/decrease in other current assets	1,345
(Increase)/decrease in biological assets	49
Increase/(decrease) in other liabilities	11,564
Increase/(decrease) in provisions relating to employee costs	18,793
<b>Net cash flows from operating activities</b>	<b>233,014</b>

## NOTE 33: EXPLANATION OF MAJOR VARIANCES TO BUDGET

### **Statement of Financial Performance**

Overspends in Outputs from Non-Government Supplies are due to increased spend in overseas health care and service for refugees. These overspends were offset by significant savings in Personnel Costs, Transfer Payments and Supplies and Consumables.

Significant savings in Personnel Costs are largely as a result of continued attrition and restrained recruitment. Transfer Payments were \$2.4 million less than expected due to a decrease in the number of beneficiaries for scholarships and less than normal rate of assessments for Government assistance. Agencies continued to adhere to austerity measures and contain spending in supplies and consumables.

Cost management initiatives, increased air and cruise tourists arrivals together with declining fuel prices contributed to the positive variance in the operating results of Statutory Authorities and Government Companies.

### **Statement of Financial Position**

Cash and cash equivalents balances were \$49.2 million better than budgeted due to increase in collections of trade receivables and taking full advantage of credit terms offered by suppliers. Total receivables and payables declined and increased respectively. There were no long-term trade receivables as at 30th June 2016.

Marketable securities & deposits were more appropriately categorised as investments at the end of the financial year.

## NOTE 34: COMMITMENTS

Type	One Year or Less CI\$000	One to Five Years CI\$000	Over Five Years CI\$000	30 June 2016 CI\$000	30 June 2015 CI\$000
<b>Capital Commitments</b>					
Capital Commitments	32,271	37,132	-	69,403	18,636
	-	-	-	-	-
	-	-	-	-	-
<b>Total Capital Commitments</b>	<b>32,271</b>	<b>37,132</b>	<b>-</b>	<b>69,403</b>	<b>18,636</b>
<b>Operating Commitments</b>					
<b>Non-Cancellable Accommodation Leases</b>					
Accommodation leases	10,540	4,587	1,753	16,880	7,356
Accommodation leases	-	-	-	-	-
<b>Other Non-Cancellable Leases</b>					
Land Lease	52	289	105	446	418
Premises Lease	74	9	-	83	331
Aircraft Leases	706	907	-	1,614	2,611
Licensing Agreement	135	24	-	159	-
Other Operating Lease	-	-	-	-	-
<b>Other Operating Commitments</b>					
Other Operating Commitments	-	347	-	347	8,405
<b>Total Operating Commitments</b>	<b>11,507</b>	<b>6,164</b>	<b>1,858</b>	<b>19,529</b>	<b>19,120</b>
<b>Total Commitments</b>	<b>43,779</b>	<b>43,295</b>	<b>1,858</b>	<b>88,932</b>	<b>37,756</b>

### Finance Lease

The Port Authority has a finance lease for the 3.829 acres of land formerly numbered as Block 12C Parcel 217, which was leased to Dragon Bay Limited (formerly Fujigmo Limited) for 99 years effective 6 September 2011.

In this case, there are no lease payments forthcoming due to the lease being granted at peppercorn. Consequently the Port Authority has no receivable to book in the Statement of Financial Position as at 30 June 2016.

## NOTE 35: CONTINGENT LIABILITIES

### **Environmental Remediation**

An environmental remediation liability results from the normal operation of a long-lived asset and that is associated with the retirement of that asset. The Government currently operates waste landfill sites in all three of the Cayman Islands. The capping of these landfills is currently out for bidding.

### **Legal Proceedings and Disputes**

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

The Government is routinely engaged in litigation arising in the ordinary course of its business. It does not believe that any such litigation will individually or in aggregate, have a material adverse financial effect on the Government. It is Government's policy to rigorously assert its position in such cases. Should the Government be unsuccessful in these matters, it does not expect the outcome to materially affect the results of operations or financial position.

At the 30th June 2016 the Government has estimated contingent liabilities of \$10.8 million with respect to Civil/Quasi Civil Matters. In addition to the above there were proceedings involving a number of Statutory Authorities and Government Companies as detailed below.

### ***Cayman Islands National Insurance Company***

In February 2011 and May 2011, the Company was served with two separate summonses in the state of Florida. For the year ended 30th June 2011, the Company has set a provision totalling \$534,836 inclusive of estimated interest, legal fees and air ambulance costs. On April 25, 2012 one of the claims was settled for lower than originally provided for. In January 2014 the other litigated amount was settled for a lower amount than originally provided for. As a result of these settlements, the provision was reduced by \$157,115 in January 2014, and \$145,726 for the year ended 30th June 2015 and booked as other income.

While management believes that advance claim provision should ultimately be paid by the Cayman Islands Government, the Company assumed the liability as it is technically liable through the issuance of the guarantees. The Company has also recorded a corresponding receivable from Government equal to the "Advance claim" gross provision of \$154,617; however, in the absence of any formal written commitment from the Government to reimburse the Company, a provision for bad debt has been recorded. Management intends to seek recovery from the Government in due course.

In May 2016 the Company collected the full payment of \$154,617 from Government, and thus released the provision into income.

On July 19, 2013 Simplifi Health Benefit Management, LLC ("Simplifi ESO") filed a lawsuit against the Company in the state of Ohio. In the lawsuit, Simplifi ESO alleges that the Company did not provide appropriate notice as per the terms of the contract, for the termination of the TPA services provided by Simplifi ESO ("Plaintiff"). The Administrative Services Agreement ("ASA") between the Company and Simplifi ESO provided for an automatic one year renewal of the contract unless either party gave written notice of non-renewal at least 120 days prior to the termination date. The ASA further stated that any notices shall be delivered in person, by certified mail, by commercial overnight courier, or by facsimile. The Company provided timely e-mailed notification of non-renewal within the required notice period specified in the contract. The Plaintiff is seeking damages for the period July 1, 2013 to June 30, 2014 in the amount of US\$1,291,596 plus attorney's fees, which it claims are the lost profits and "reliance damages" for that period. Counsel to the Company has informed Simplifi ESO in writing that the notice of termination was effective under the laws of the State of Ohio, which governed the agreement with Simplifi ESO. Management and the Board intend to vigorously defend Simplifi ESO's claims. Management does not believe they are liable to make any payments associated with this claim as at June 30, 2014.

On August 2, 2016, the Court issued an Opinion and Order denying CINICO's motion for summary judgment holding that there was a factual question requiring a trial on whether Simplifi had actual knowledge of CINICO's intention not to renew the Administrative Services Agreement. The Court also directed the parties to engage in good faith negotiations to settle the dispute. As such CINICO counsel proposed to Simplifi's counsel that the litigation be resolved by both parties dismissing their claims against each other, with neither party making a payment to the other.

### ***Civil Aviation Authority***

The Authority signed a Ground Lease on 17th May 2016 with the Cayman Islands Airports Authority (CIAA) as the lessor for use of land to build office accommodation for the CAACI (lessee). The ground lease specifies a single payment of CI\$400,000 to be paid to the CIAA within 30 days of the CAACI acquiring planning permission for the Designated Use of the land.

### ***Health Services Authority***

The Health Authority believes that the outflow of funds for the malpractice and employee related legal claims amounting to \$6,417,000 and nil (2015: \$6,417,000 and nil), respectively are less than probable to be successful and are covered by insurance in excess of deductible; accordingly, no provisions were recognised for possible losses.

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

## **Port Authority of the Cayman Islands**

### *Vessel Claim*

On 13 July 2012, a claim was made due to perceived negligence by the Port Authority which resulted in the total loss of a third party's vessel while in Cayman Islands Waters. The amount of the claim is \$280,178. Management is reviewing the claim with its legal representatives with the aim of vigorously defending its position. At the end of the financial year no further action has been brought about by the plaintiff. The legal representatives do not believe there is a high probability that this action, if brought against the Port Authority, will be successful.

### *Fuel Claim*

During the year, a compensation demand was made by a local vendor for lost income due to him being asked to discontinue selling fuel at the dock. No specific amount has been demanded and neither has the issue proceeded to court and as such the Authority is unable to assess the impact, if any, this may have on its operations. The Authority is addressing the issue through its legal representatives. The vendor has been given initial communication to the effect that his demand is unwarranted and frivolous as he did not have permission to engage in commercial activities at the Dock in the first place. At the end of the financial year no further action has been brought about by the plaintiff.

### *Marina Claim*

On 4 September 2012, a statement of claim was served upon the Port Authority, as the second defendant, with regard to certain declaratory rights to a Marina under development on the Port Authority's Land. The Action is on-going. The Authority has involved its lawyers who are vigorously defending its position. No provision has been made in the accounts for this and there was no indication as to the amount being pursued. However, the Port Authority's legal representatives advised that the probability of this action being successful is unlikely.

### *Vehicle Accident Claim*

On 19 March 2009, legal proceedings were commenced against the Port Authority regarding injury sustained by a third party after an accident involving the Port Authority's vehicle. Our attorneys advised that they received a claim from the Plaintiff for medical costs and damages totalling \$846,873. This claim is being reviewed by the Port Authority's insurer, who is expected to settle the claims. The Port Authority has an annual coverage for third party risks of \$1M therefore management does not expect the Port Authority to be impacted financially by the eventual settlement of this claim.

### *Dismissal Claim*

In May 2012 an employee of the Port Authority was dismissed but later demanded reinstatement. There is no update on this matter as it has not progressed.

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

## **Guarantees**

### ***Statutory Authorities and Government Companies***

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

Guarantees of the Government include:

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

Under the PMFL, entities that;

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

Description	Weighting Applied	Guaranteed Balance as at 30 June 2016	Loan Balance as at 30 June 2016
		CI\$'000	CI\$'000
Cayman Islands Turtle Farm (1983) Limited	80%	11,589	14,486
Cayman Airways Limited	80%	16,294	20,368
Water Authority of the Cayman Islands	20%	785	3,926
Cayman Islands Development Bank	50%	16,105	32,209
Port Authority of the Cayman Islands	20%	351	1,753
National Housing Development Trust	80%	12,594	15,743
		<b>57,717</b>	<b>88,484</b>

### **Government Guaranteed Home Assistance Mortgage (GGHAM) Program**

The Government Guaranteed Home Assisted Mortgage program (GGHAM) that is administered by the National Housing Development Trust was introduced on November 9th, 2007 and to date has helped 323 households achieve home ownership.

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



The current GGHAM approved amount is \$65 million; however this agreement expired on November 2012. To date, the GGHAM drawn balance is approximately \$44.3 million for which on face value indicates that Central Government is committed to a contingent liability of 35% which equates to \$15.5 million. A Housing Guarantee Reserve is established at 15% of the exposure outstanding, which is adjusted at the end of each financial year. As at June 30, 2016 the reserve balance was adjusted to \$1,248,000.

As at June 30, 2016 four local banks have called in the guarantees of three GGHAM loans totalling \$124,000. The claims are at various stages of the claims process ranging from discussions with the banks to awaiting approval for payment. These amounts include interest and other related costs and have been included as an amount payable as at June 30, 2016. Based on the delinquency as at June 30, 2016 a provision of \$1,248,000 has been made for potential claims.

### **Other Contingent Liabilities**

Pursuant to the agreements between Cayman Airways Limited (“CAL” or the “Company”) and RBC Royal Bank of Canada and CIBC First Caribbean International Bank (the “Banks”), the Company must comply with certain covenants, namely ensuring that all scheduled repayments are current and the provision of audited financial statements and other financial data of both the Company and the Government (as guarantor). In the event of default, the local banks may, by written notice to the Company, declare all borrowings under the agreements to be immediately due and payable. During the years ending 30 June 2016 and 2015, the Company had failed to comply with a financial reporting covenant related to the provision of the Company’s annual audited financial statements to the lenders, within 180 days of the financial year end. At 30 June 2016 and 2015 the local banks provided waivers of such covenants to the Company.

### **Letters of Credit**

RBC Royal Bank of Canada has issued a number of letters of credit on behalf of the Cayman Airways Ltd. These are used as collateral for United States Customs bonds and credit account support.

## NOTE 36: FINANCIAL RISK MANAGEMENT

### **Credit Risk**

#### ***Core Government***

Credit and counterparty risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation or commitment. Financial instruments potentially expose the government to credit risk. Concentrations of credit risk relate to groups of customers or counter- parties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

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

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

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

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

#### ***Cayman Islands Development Bank***

Credit risk is the risk that the Bank will incur a loss because its customers fail to discharge their contractual obligations.

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

#### ***Health Services Authority***

The Health Services Authority is exposed to credit-related losses in the event of non-performance by counter parties to these financial instruments. Most importantly, the Authority has escalated the credit risk concentration to the Ministry of Health for policy changes to reduce bad debts.

Accounts receivable consist of a large number of customers that either have health insurance policies with CINICO or with various commercial insurance or no insurance coverage at all. Concentration of credit risk belongs to the group of customers known as "self-pay". These amounts are owed by

customers who have neither insurance coverage nor sufficient coverage which are estimated to be 75% - 100% uncollectible.

The carrying amount of financial assets recorded in the financial statements as accounts receivable from “self-pay” group of customers, which is net of allowance for bad debts, represents the maximum exposure to credit risk.

### ***Information and Communications Technology Authority***

The Information and Communications Technology Authority does not have the flexibility in refusing to transact with licensees in accordance with the laws. Whilst the Authority does not believe that it has any significant credit risk exposure to any single licensee, it is inherently exposed in its entirety to the telecommunications industry in the Cayman Islands. The Authority’s licensees include well-established telecommunication and media companies and, at 30th June 2016, there have been no indications of any insolvency in those entities that impacts their ability to pay the Authority.

### **Liquidity Risk**

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

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

### **Insurance Risk**

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

CINICO uses several techniques to mitigate risk surrounding potential high claim losses. For its largest group (Group 30100 - Civil, Servants, Pensioners and Government Entities), reinsurance has been purchased that covers overseas claim losses which exceed US\$700,000, up to US\$5,000,000 in respect of any one covered person during the policy year, with an aggregate cap of US\$10,500,000 per year. The Company's Standard Health Insurance Contracts ("SHIC" plans) use a combination of pre-existing condition exclusions, and annual limits to mitigate risk. The Company also employs the services of MMSI (a division of the Mayo Clinic). MMSI provides case management services with the goal of managing a patient's care path in an economical fashion at each step of the way. The Company uses

CMN for the provision of overseas network access. CMN has pre-negotiated contracts with many overseas providers which would allow the Company to realize significant savings. Furthermore, during the current fiscal year on a monthly basis, the Risk and Appeals Committee met to discuss large claims and any disputed claims.

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

### **Interest Rate Risk**

#### ***Core Government***

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

#### ***Cayman Islands Development Bank***

Interest rate risk arises from the possibility that changes in interest will affect future cash flows or the fair values of financial instruments. Cayman Islands Development Bank (CIDB or the Bank) provides loans and technical assistance in the areas of human resource development, housing and small business, in particular in the agricultural, tourism, and industrial sectors. The Bank minimises interest rate risk principally by on-lending at variable rates of interest from funding provided by long-term debts with variable interest rates.

The Bank manages the interest rate risk by securing funds from international financial institutions which review their lending rates to CIDB on a semi-annual basis.

#### ***Cayman Airways Ltd***

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

#### ***Health Services Authority***

The Health Services Authority is exposed to interest rate risk for the \$1.539 million credit facility with First Caribbean International Bank (Cayman) Ltd ("FCIB") at a prime rate plus 0.25% per annum. This interest rate will fluctuate from time to time in line with the general level of interest rates. The risk is managed by the Health Authority by maintaining a short-term credit agreement that is renewable every year to have a negotiable and preferred rate. In addition, the Health Services Authority is limiting the usage of the credit facility by continuously monitoring the daily cash position which management views

as likely to result into a bank preferred interest rate on the renewal of the agreement. The Health Authority has a minimal exposure on interest risk as none of the other financial instruments is exposed to this type of risk.

### ***Civil Aviation Authority***

The Authority has cash amounts held at Cayman National Bank (over CI\$200,000) that are placed on semi-annual and annual fixed deposits and generally earn an interest rate of between 0.35% and 0.45% (2015: 0.30% and 0.45%) per annum in the year ending 30th June 2016. There are two accounts held at NatWest Bank in the UK, an operating account and a credit card account for the surveyors operating in the United Kingdom and Europe. It is required that a deposit be held on the credit card account to cover the exposure of the total credit card limits of each card held. At the statement of financial position date, £16,000 (2015: £16,000) was held as a deposit. This deposit earns between 1% and 2% interest per annum.

### ***Port Authority***

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

### **Commodity Price Risk**

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

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

### **Currency Risk**

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

## NOTE 37: FAIR VALUE ESTIMATION

The carrying value of cash and cash equivalents, accounts receivable (net of provisions), work in progress, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities. Fair values estimates are made at a specific point in time, based on market conditions and the information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

### **Borrowings**

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

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

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

Turtle Farm long-term liabilities are carried at their contracted settlement value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realization or discounts on settlement.

### **Fair value hierarchy**

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

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

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

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

## NOTE 38: RELATED PARTIES

The Government comprise of 15 Ministries, Portfolios, Offices and 26 Statutory Authorities and Government Agencies. While inter-agency charges between central governments agencies have been suspended generally these entities and their key management personnel, transact business amongst them and with the Government reporting entity on a regular basis. Transactions between Ministries, Portfolios, Offices and Statutory Authorities and Government Agencies include health care, purchasing airline tickets, audit services, water, sewage and registration of vehicles. The Public Management and Finance Law (2014 Revision), as amended, requires that each Ministry, Portfolio, Office and Statutory Authority and Government Company report their financial activities separately and submit them for auditing both at the entity and executive level including the disclosure of all transactions with the Central Government and other related parties as appropriate in these individual financial statements.

With the exception of key senior management personnel no other parties control the Government, are controlled by the Government without forming part of these consolidated statements, or are under common control of another entity with the Government. Key management personnel include Cabinet Ministers, Chief Executive Officers, Chief Officers, Chief Financial Officers, and deputies for the purposes of these financial statements are considered related parties.

### Compensation of Key Management Personnel

Total remuneration includes regular salary, pension contribution, health insurance contribution, allowances, bonus and termination benefits. Total remuneration paid to key management personnel were as follows:

Prior Year (Gross) CI\$000	Description	Current Year (Gross) CI\$000
28,146	Salaries & other short term employee benefits	31,062
992	Other long term benefits	134
<b>29,138</b>	<b>Total Remuneration</b>	<b>31,196</b>

<b>219</b>	<b>Number of Key Management Personnel</b>	<b>231</b>
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### Loans to Key Management Personnel

Prior Year (Gross) CI\$000	Description	Current Year (Gross) CI\$000
229	Loans to Key Management Personnel	93

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

### Board Members Remuneration

Prior Year (Gross) CI\$'000	Description	Current Year (Gross) CI\$'000
514	Remuneration for services	502
<b>514</b>	<b>Total Remuneration</b>	<b>502</b>

125	<b>Number of Board Members</b>	123
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# NOTE 39: SEGMENT REPORTING

GOVERNMENT OF THE CAYMAN ISLANDS					
STATEMENT OF FINANCIAL POSITION					
AS AT 30 JUNE 2016					
	Note	Central Government C\$000	Statutory Authorities & Government Companies C\$000	Inter- government trade C\$000	EPS Actual 2015/2016 C\$000
<b>Current Assets</b>					
Cash and Cash Equivalents	2	89,097	144,352	-	233,449
Trade Receivables	3	10,422	53,403	(31,810)	32,015
Other Receivables	4	12,108	13,190	(11,907)	13,390
Dividends Receivable	4	1,399	-	(1,399)	-
Inventories	5	2,975	13,803	-	16,778
Loans Made	6	543	2,127	-	2,671
Investments	7	319,522	115,820	(2,028)	433,314
Prepayments	8	4,989	4,941	(63)	9,867
Biological Assets	9	-	1,640	-	1,640
<b>Total Current Assets</b>		<b>441,055</b>	<b>349,276</b>	<b>(47,207)</b>	<b>743,124</b>
<b>Non-Current Assets</b>					
Trade Receivables	3	150	-	-	150
Other Receivables	4	-	993	-	993
Loans Made	6	854	27,047	(287)	27,614
Property, Plant and Equipment	10	1,431,199	301,644	-	1,732,843
Intangible Assets	11	3,265	3,251	-	6,516
Investment Property	12	-	15,378	-	15,378
Investments	7	831	4,366	-	5,197
Net Worth - Public Entities		364,773	-	(364,773)	-
Other Non-Current Assets		448	-	-	448
<b>Total Non-Current Assets</b>		<b>1,801,520</b>	<b>352,679</b>	<b>(365,060)</b>	<b>1,789,139</b>
<b>Total Assets</b>		<b>2,242,575</b>	<b>701,955</b>	<b>(412,267)</b>	<b>2,532,263</b>
<b>Current Liabilities</b>					
Trade Payables	13	15,947	13,789	(9,523)	20,213
Other Payables & Accruals	13	70,351	28,580	(36,305)	62,626
Bank Overdraft	2	-	2,034	-	2,034
Unearned Revenue	14	51,396	14,016	(129)	65,282
Employee Entitlements	15	8,607	1,889	-	10,497
Retirement Benefits	16	29,400	3,912	-	33,312
Borrowings/Public Debts	17	35,727	12,694	(33)	48,388
Repayment of Surplus		-	1,249	(1,249)	-
Provisions	18	-	12,877	-	12,877
<b>Total Current Liabilities</b>		<b>211,428</b>	<b>91,040</b>	<b>(47,239)</b>	<b>255,229</b>
<b>Non-Current Liabilities</b>					
Other Payables & Accruals	13	-	204	-	204
Retirement Benefits	16	386,376	61,595	-	447,971
Borrowings/Public Debts	17	467,591	77,466	(254)	544,803
Currency Issued	19	-	106,876	-	106,876
<b>Total Non-Current Liabilities</b>		<b>853,967</b>	<b>246,141</b>	<b>(254)</b>	<b>1,099,854</b>
<b>Total Liabilities</b>		<b>1,065,395</b>	<b>337,181</b>	<b>(47,493)</b>	<b>1,355,083</b>
<b>Net Assets</b>		<b>1,177,180</b>	<b>364,774</b>	<b>(364,774)</b>	<b>1,177,180</b>
<b>Net Assets/Equity</b>					
Reserves	20	134,077	23,863	-	157,940
Revaluation Reserve	20	489,490	32,668	-	522,158
Current Period Surplus		148,532	18,199	(18,199)	148,532
Accumulated Surplus/(Deficit)		405,081	290,044	(346,575)	348,550
<b>Total Net Assets/Equity</b>		<b>1,177,180</b>	<b>364,774</b>	<b>(364,774)</b>	<b>1,177,180</b>

## SEGMENT REPORTING (CONTINUED)

GOVERNMENT OF THE CAYMAN ISLANDS					
STATEMENT OF FINANCIAL PERFORMANCE					
FOR THE YEAR ENDED 30 JUNE 2016					
		Central Government CI\$000	Statutory Authorities & Government Companies CI\$000	Inter- government Trade CI\$000	EPS 2015/2016 CI\$000
	Note				
Revenue					
Coercive Revenue	21	674,079	-	(818)	673,261
Sales of Goods & Services	22	35,828	282,108	(56,546)	261,390
Cabinet Revenue		-	82,768	(82,768)	-
Investment Revenue	23	2,161	3,519	(11)	5,669
Donations	24	317	614	-	931
Other Revenue		36	2,761	(26)	2,771
Total Revenue		712,421	371,770	(140,169)	944,022
Expenses					
Personnel Costs	25	263,586	170,168	(33,638)	400,116
Supplies and Consumables	26	83,026	140,444	(7,448)	216,022
Leases		4,863	3,463	(452)	7,874
Depreciation/Amortisation	27	33,686	20,165	-	53,851
Outputs from Statutory Authorities and Government Companies	40	98,533	-	(98,533)	-
Outputs from Non-government Organisations	28	32,538	-	-	32,538
Transfer Payments	29	30,251	-	-	30,251
Litigation Costs		316	835	-	1,151
Other Executive Expenses	30	10,061	14,341	(86)	24,316
Finance Costs	31	27,609	3,409	(11)	31,007
Total Expenses		584,469	352,825	(140,168)	797,126
Other (Gains)/Losses					
(Gains)/Losses on Derecognition of Assets/Liabilities		(350)	-	-	(350)
Impairment of Inventory		-	(107)	-	(107)
(Gains)/Losses on Financial Instruments		(2,789)	(124)	-	(2,913)
(Gains)/Losses on Non-financial Instruments		628	976	-	1,604
(Gains)/Losses on Revaluation of Asset		130	-	-	130
(Surplus)/Deficit on Statutory Authorities & Government Companies		(18,199)	-	18,199	-
Total Other (Gains)/Losses		(20,580)	745	18,199	(1,636)
Surplus/(Deficit) for the Period		148,532	18,200	(18,200)	148,532

## SEGMENT REPORTING (CONTINUED)

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b> <b>STATEMENT OF CASH FLOWS</b> <b>FOR THE YEAR ENDED 30 JUNE 2016</b>				
	Central Government CIS\$000	Statutory Authorities & Government Companies CIS\$000	Inter-government trade & Adjustments CIS\$000	Actual 2015/2016 CIS\$000
<b>Note</b>				
<b>Operating Activities</b>				
<b>Cash received</b>				
Coercive Receipts	698,175	-	-	698,175
Sales of Goods & Services	32,442	229,107	(7,902)	253,647
Outputs to Cabinet	-	93,180	(93,180)	-
Outputs to other government agencies	2,503	77,681	(80,184)	-
Interest received	1,608	3,400	-	5,008
Donations / Grants received	223	614	-	837
Other receipts	15,952	7,916	-	23,868
<b>Total cash received</b>	<b>750,903</b>	<b>411,899</b>	<b>(181,266)</b>	<b>981,535</b>
<b>Cash used</b>				
Personnel costs	(268,732)	(167,641)	-	(436,373)
Supplies and consumables	(88,633)	(168,990)	88,086	(169,537)
Outputs from public authorities	(93,180)	-	93,180	-
Outputs from non-governmental organisations	(31,260)	-	-	(31,260)
Transfer payments	(30,263)	-	-	(30,263)
Financing/interest payments	(27,801)	(4,011)	-	(31,812)
Other payments	(19,032)	(30,244)	-	(49,276)
<b>Total cash used</b>	<b>(558,901)</b>	<b>(370,886)</b>	<b>181,266</b>	<b>(748,521)</b>
<b>Net cash flows from (used by) operating activities</b>	<b>32</b>	<b>192,002</b>	<b>41,012</b>	<b>233,014</b>
<b>Investing activities</b>				
<b>Cash received</b>				
Proceeds from sale of property, plant and equipment	219	1,384	-	1,603
Proceeds from the sale of Investments	254,419	49,570	-	303,989
Dividends and Capital withdrawal from Public Entities	2,724	-	(2,724)	-
<b>Total cash received</b>	<b>257,362</b>	<b>50,954</b>	<b>(2,724)</b>	<b>305,592</b>
<b>Cash used</b>				
Purchase of property, plant and equipment	(22,017)	(21,571)	-	(43,588)
Loans Made/Investments	(389,631)	(64,098)	-	(453,728)
Equity injection in public authorities	(17,742)	-	17,742	-
<b>Total cash used</b>	<b>(429,390)</b>	<b>(85,668)</b>	<b>17,742</b>	<b>(497,316)</b>
<b>Net cash flows from (used by) investing activities</b>	<b>(172,028)</b>	<b>(34,715)</b>	<b>15,018</b>	<b>(191,724)</b>
<b>Financing activities</b>				
<b>Cash received</b>				
Proceeds from Borrowing	33	-	-	33
Equity injection in from Cabinet	-	17,742	(17,742)	-
<b>Total cash received</b>	<b>33</b>	<b>17,742</b>	<b>(17,742)</b>	<b>33</b>
<b>Cash used</b>				
Repayment of Borrowings	(20,003)	(15,930)	-	(35,933)
Repayment of Entity surplus to Org 40	-	(2,724)	2,724	-
<b>Total cash used</b>	<b>(20,003)</b>	<b>(18,654)</b>	<b>2,724</b>	<b>(35,933)</b>
<b>Net cash flows from (used by) financing activities</b>	<b>(19,970)</b>	<b>(912)</b>	<b>(15,018)</b>	<b>(35,900)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>	<b>4</b>	<b>5,386</b>	<b>-</b>	<b>5,390</b>
Cash and cash equivalents at beginning of period	89,093	136,932	-	226,025
<b>Cash and cash equivalents at end of period</b>	<b>2</b>	<b>89,097</b>	<b>142,318</b>	<b>231,415</b>

## NOTE 40: SUBSEQUENT EVENT

### **General Election**

On the 24 May 2017, the Cayman Islands held a General Election which resulted in the appointment of a new Government administration as well as the creation of new and reshuffled Cabinet portfolios as of 1 July 2017.

## AUDITOR GENERAL'S REPORT ON THE ANNUAL SCHEDULE OF APPROPRIATIONS

### TO THE MEMBERS OF THE LEGISLATIVE ASSEMBLY

I have been engaged to provide assurance services on the Cayman Islands Government's ("Government") schedule of appropriations for the year ended 30 June 2016. The terms of the engagement requires that it be carried out in accordance with the International Standard on Assurance Engagements 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ISAE 3000").

#### Scope

The objective of this engagement is to provide an opinion on whether the schedule of appropriations presents fairly the actual and budgeted figures as authorized in the *Appropriation Law (July 2015 to June 2016) Law, 2015*.

#### Management's responsibilities

The Government is required by the *Public Management and Finance Law ("PMFL")* to include in its annual report an audited annual schedule of appropriations used for the year compared with the appropriations granted under the Appropriation Law (together with any supplementary Appropriation Law) for the financial year.

#### Responsibility of the Auditor General

My responsibility in accordance with the ISAE 3000 is to report whether the schedule of appropriation presents fairly a comparison of the appropriations used and appropriations granted. Because of the significance of the matter described in the basis for a disclaimer of opinion paragraph, I was not able to obtain sufficient, appropriate evidence to provide a basis for an opinion.

#### Basis for Disclaimer of Opinion

Management is not able to make assertions on the fairness of the reported figures and comparison of the appropriations used and appropriations granted that makes up the annual schedule of appropriations. As an illustration, there are instances where the appropriations used are based solely on appropriations granted.

#### Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion under ISAE 3000. Accordingly, I do not express an opinion on the schedule of appropriations.



Sue Winspear, CPFA  
Auditor General

19 October 2017  
Cayman Islands

# Statements of Appropriations

## Annual Statement of Appropriations

<b>Government of the Cayman Islands</b> <b>Statement of Appropriations</b> <b>For the Year Ended 30 June 2016</b>			
	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Premier</b>			
CBO 1- Development and Coordination of Government Policy	1,735,169	1,743,098	7,929
CBO 2- Cabinet and National Security Council Support and Servicing	657,281	660,665	3,384
CBO 9 - Protocol Services	508,018	582,311	74,293
CBO 11 - Freedom of Information and Data Protection Coordination	48,061	109,346	61,285
CBO 17 - Information Services Provided to Other Government Agencies	948,916	928,449	(20,467)
CBO 20 - Advice and Assistance to the Premier and Administration of the Premier's Office	679,945	936,525	256,580
CBO 21 - Broadcasting of Public Information and On Air Programmes	1,123,132	1,102,747	(20,385)
CBO 22 - Services provided by the London Office	486,598	521,918	35,320
<b>Other Executive Expenses</b>			
OE 5- Constituency Allowance	670,560	654,300	(16,260)
OE 96 - Executive Salary Reimbursements		30,000	30,000
<b>Equity Investments</b>			
EI 36 - Cabinet Office		350,000	350,000

## Annual Statement of Appropriations (continued)

	Actual C\$000	Original Budget C\$000	Actual vs Budget C\$000
<b>Appropriations to the Minister of Home Affairs, Health &amp; Culture (Home Affairs)</b>			
HCA 1- Policy Advice and Ministerial Services on Home Affairs Matters	2,576,875	2,930,167	353,292
HCA 2 - Licensing Services	625,237	625,341	104
HCA 3 - Enforcement of Immigration Laws	1,544,591	1,764,846	220,255
HCA 4 - Processing Status and Permanent Residency Certificates	237,208	237,211	3
HCA 5 - Immigration Entry and Extension Services	3,563,027	3,563,052	25
HCA 6 - Processing Entry Documents and Passports	2,169,456	2,169,460	4
HCA 7 - Incident Responses	1,963,985	1,963,985	0
HCA 8 - Police Security Services	1,172,814	1,172,857	43
HCA 9 - National Disaster Preparedness and Response Services	1,268,557	1,336,151	67,594
HCA 10 - Police Criminal Justice Services	638,931	865,336	226,405
HCA 11 - Prison Services	10,721,423	10,721,445	22
HCA 12 - Correctional Supervision, Intervention and Support Services	6,564,919	6,564,990	71
HCA 14 - Protection and Investigative Services	32,771,257	33,283,710	512,453
HCA 15 - Emergency Domestic Fire Services	6,734,597	6,734,597	0
HCA 17 - Aerodrome Fire Services	5,502,452	5,502,452	(0)
HCA 20 - Technology Support Services	6,713,061	6,716,108	3,047
<b>Public Entities</b>			
NDC 1 - Policy, Prevention, Surveillance, Research, Information, Monitoring and Evaluation	552,958	552,958	-
<b>Non-Governmental Suppliers</b>			
NGS 38 - Services for Irregular Migrants	3,167,702	270,000	(2,897,702)
<b>Transfer Payments</b>			
TP 46 - Emergency Relief Payments	98,666	30,000	(68,666)
TP 58 - Support for Services of the Red Cross	70,000	70,000	-
TP 69 - Support for the Bridge Foundation	60,000	60,000	-
<b>Other Executive Expenses</b>			
OE 57 - Bank Charges	1	6,000	5,999
<b>Equity Investments</b>			
EI 11- Ministry of Home Affairs, Health and Culture - Home Affairs	1,990,668	2,000,000	9,332



## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to Minister of Community Affairs, Youth &amp; Sports</b>			
HCA 27 - Policy Advice and Support to the Minister of Community Affairs, Youth and Sports	1,698,204	1,712,282	14,078
HCA 28 - Administration of Community Assistance Programmes	5,963,821	5,963,821	-
HCA 29 - Public Education on Social Issues	288,134	288,134	-
HCA 30 - Counselling and Support Services	5,022,907	5,023,061	155
HCA 31 - Supervision and Support of Children	1,385,990	1,386,092	102
HCA 32 - Community Development Services	507,279	507,990	711
HCA 34 - Sports Services	3,849,844	3,849,866	22
HCA 35 - Youth Services	362,294	391,716	29,422
HCA 36 - Cadet Corps Services	290,153	290,153	-
<b>Public Entities</b>			
CAY 2 - Children and Youth Services (CAYS) Foundation	2,514,513	2,178,000	(336,513)
<b>Non-Governmental Suppliers</b>			
NGS 47- Mentoring Cayman Programme	9,025	9,025	-
NGS 58 -Elite Athletes Programme	78,850	118,275	39,425
NGS 59 - Youth Development Programmes	38,725	38,725	-
NGS 60 - Sports Programmes	678,575	811,350	132,775
NGS 63 - School Lunch and Uniform Programmes	124,000	424,000	300,000
NGS 64 - Care of the Indigent, Elderly and Disabled Persons	1,800,000	1,400,000	(400,000)
NGS 65 - General Programmes and Children Services	117,180	117,180	-
NGS 66 - Foster Care for Children	225,000	225,000	-
NGS 67 - Community Programmes	124,250	124,250	-
NGS 68 - Rental Accommodation for Persons in Need	1,852,949	1,600,000	(252,949)
NGS 70 - Burial Assistance for Indigents	94,149	150,000	55,851
NGS 71 - Support for Battered Women and Children	300,000	300,000	-
NGS 72 - Therapeutic Services for Young Persons	11,123	25,000	13,877
NGS 82 - Other Sports Programmes	78,875	78,875	-
<b>Transfer Payments</b>			
TP 41 - Poor Relief Payments	5,799,400	6,260,000	460,600
TP 43 - Poor Relief Vouchers	1,499,660	1,350,000	(149,660)
TP 44 - Temporary Poor Relief for Young Parents Programme (YPP) Students	12,500	30,000	17,500
TP 45 - Youth After Care Payments	12,784	60,000	47,216
TP 47 - Ex-Gratia Benefit Payments to Seamen	5,222,800	6,006,000	783,200
TP 48 - Benefit Payments to Ex-Servicemen	998,800	1,019,200	20,400
TP 49 - Youth Programmes and Other Non-Governmental Organizations	81,700	151,525	69,825
TP 50 - Pre-School Assistance	18,635	150,000	131,365
TP 57 - Children and Family Services Support	358,163	484,480	126,317
TP 60 - Housing Assistance	172,025	737,000	564,975
TP 72 - Other Youth and Sports Programmes	506,968	511,225	4,257
TP 75 - Needs Assessment Support	392,526	300,158	(92,368)
<b>Other Executive Expenses</b>			
OE 78 - Depreciation of Ministry of Community Affairs, Youth and Sports - Executive Assets	46,713	27,000	(19,713)
OE 81 - World Anti-Doping Agency	2,750	6,000	3,250
OE 82 - Regional Anti-Doping Organization	2,596	4,000	1,404
<b>Equity Investments</b>			
EI 54 - Ministry of Community Affairs, Youth and Sports	826,661	1,500,000	673,339

## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Minister of District Administration, Tourism &amp; Transport</b>			
DAT 1 - Advice and Support to the Minister of District Administration, Tourism and Transport	2,307,234	2,331,920	24,686
DAT 2 - Government Services in Cayman Brac and Little Cayman	3,924,279	3,924,282	3
DAT 3 - Management of Executive Assets in Cayman Brac and Little Cayman	4,185,592	4,185,822	230
DAT 5 - Inspection, Testing and Licensing Services	616,125	616,126	1
DAT 6 - Public Education Programmes	913,910	913,909	(1)
DAT 7 - Tourism Public Relations	1,621,178	1,621,179	1
DAT 8 - Tourism Advertising Activities	6,940,389	6,940,389	-
DAT 9 - Tourism Sales and Promotion	4,092,899	4,092,899	-
DAT 10 - Tourism Marketing	1,743,980	1,743,981	1
DAT 11 - Support for Local Tourism Providers	1,595,250	1,622,954	27,704
DAT 12 - Collection of Coercive Revenue	30,938	30,938	-
DAT 13 - Weather Forecast Services	1,139,342	1,201,816	62,474
DAT 14 - Public Transport Services	593,727	593,839	112
<b>Public Entities</b>			
CAL 1 - Strategic Domestic Air Services	2,848,928	2,848,928	-
CAL 2 - Strategic Tourism, Regional and Core Air Services	14,456,872	14,456,872	-
TAB 1- Management of Pedro St. James National Historic Site	850,100	850,100	-
TAB 2- Management of Queen Elizabeth II Botanic Park	621,844	621,844	-
TAB 3- Annual Pirates Week Festivals and Events	275,052	275,052	-
TAB 4 - Management of Cayman Islands Craft Market	125,111	125,111	-
TAB 5 - Management of Hell Attraction	30,106	30,106	-
SIH 1 - Sister Islands Affordable Housing Programme	71,504	71,506	2
<b>Non-Governmental Suppliers</b>			
NGS 1- Organize, Administer and Execute the Cayman Islands Fishing Tournament	30,044	30,044	-
NGS 3- Organization of Batabano Festival	30,000	30,000	-
NGS 7- Management of Small Business Development	230,000	230,000	-
NGS 26 - Organization of the Miss Cayman Committee	50,000	50,000	-
NGS 57 - Gardening Projects and Landscaping	3,422	3,422	-
<b>Transfer Payments</b>			
TP 12- Tourism Scholarships	626,326	815,000	188,675
TP 13- Miss Cayman Scholarship	16,994	20,000	3,006
TP 66 - Sister Islands Home Repairs Assistance	93,326	100,000	6,674
TP 67 - Sports and Cultural Tourism Programmes Assistance	437,392	439,000	1,608
<b>Other Executive Expenses</b>			
OE 91 - Depreciation of Ministry of District Administration, Tourism and Transport Executive Assets	309,781	173,305	(136,476)
<b>Equity Investments</b>			
EI 1 - Cayman Airways Limited	7,500,000	5,100,000	(2,400,000)
EI 49 - Cayman Turtle Farm (1983) Limited	9,000,000	9,000,000	-
EI 68 - Ministry of District Administration, Tourism and Transport	899,111	200,000	(699,111)
<b>Equity Assets</b>			
EA 55 - Cayman Brac & Little Cayman Roads	1,315,339	1,225,000	(90,339)
EA 60 - Cayman Brac: Bluff Playfield	422,825	600,000	177,175
EA 95 - Cemetery Vaults - Cayman Brac and Little Cayman	24,011	25,000	989
EA 125 - Cayman Brac Emergency Shelter	337,872	400,000	62,128
EA 143 - Cruise Berthing Facility	1,069,875	1,200,000	130,125
EA 144 - Public Restrooms	50,589	100,000	49,411

## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Minister of Planning, Lands, Agriculture, Housing and Infrastructure</b>			
PAH 1 - Advice and Support to the Minister of Planning, Lands, Agriculture, Housing & Infrastructure	1,876,331	1,876,331	-
PAH 2 - Emergency Response Services	227,631	281,280	53,649
PAH 3 - National Mail Service	1,648,878	1,648,878	0
PAH 4 - Management of Public Recreational Facilities and Cemeteries	1,712,156	1,499,540	(212,616)
PAH 5 - Agriculture Regulatory Services	1,793,011	1,793,013	2
PAH 6 - Agriculture Development Services	245,882	423,961	178,079
PAH 8 - Management of Special Projects	1,105,791	1,342,861	237,070
PAH 9 - Management of Land Information	2,327,623	2,988,763	661,140
PAH 10 - Management of Government Properties	11,949,924	12,266,201	316,277
PAH 11 - Procurement and Maintenance of Government Fleet	3,431,222	3,431,225	3
PAH 12 - Handling of Dangerous Substances	148,938	148,947	9
PAH 13 - Provision of Planning Services	5,657	73,540	67,883
PAH 14 - Management of Planning Applications	2,572,741	2,994,677	421,936
PAH 15 - Administration of Temporary Housing Initiative	26,253	34,166	7,913
PAH 16 - Licensing of Drivers and Vehicles		219,975	219,975
PAH 17 - Services to Farmers	2,266,940	2,511,341	244,401
<b>Public Entities</b>			
ERA 12 - Support to National Energy Policy Secretariat	500	10,000	9,500
ICT 8 - Drafting Instruction for the Development of Legislation	30,532	30,532	-
ICT 9 - Management of KY Internet Domain	25,000	25,000	-
ICT 10 - Collection and Verification of Licence Fees	100,383	100,383	-
ICT 11 - Policy Advice on ICT Matters	43,757	43,757	-
ICT 12 - Education of Local Businesses and the General Public on ICT Issues	8,215	8,215	-
ICT 13 - Regional and International Representation	42,602	42,602	-
ICT 14 - National Cyber Security Initiatives	75,000	75,000	-
NHT 4 - Administration of the Affordable Housing Initiative	145,000	145,525	525
NHT 5 - Administration of the Government Guaranteed Home Assisted	231,035	231,035	-
NHT 6 - Administration of the New Affordable Housing Initiative	204,035	204,035	-
<b>Non-Governmental Suppliers</b>			
NGS 24 - Spaying and Neutering of Dogs and Cats	15,891	18,600	2,709
<b>Transfer Payments</b>			
TP 74 - Assistance in respect to Importation of Livestock	25,000	75,000	50,000
TP 76 - Assistance for Infrastructure Development	26,341	25,000	(1,341)
<b>Other Executive Expenses</b>			
OE 93 - Caribbean Agriculture Research and Development Institute (CARDI)		94,141	94,141
OE 101 - Depreciation of Planning, Lands, Agriculture, Housing and	1,559,440	9,693,967	8,134,527
<b>Equity Investments</b>			
EI 57 - National Housing Development Trust	2,435,844	2,438,844	3,000
EI 71 - Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	1,482,890	1,272,890	(210,000)
<b>Executive Assets</b>			
EA 4 - Land Purchase	564,991	400,000	(164,991)
EA 9 - Land Purchase: Gazetted Claims	5,490,439	2,000,000	(3,490,439)
EA 36 - Miscellaneous Road Surface Upgrades	1,132,065	1,000,000	(132,065)
EA 37 - Farm Roads		50,000	50,000
EA 78 - Government Office Accommodations Project 1	117,200	500,000	382,800
EA 142 - George Town Revitalization	1,372,631	5,300,000	3,927,369

## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Minister of Financial Services, Commerce and Environment</b>			
FSC 7 - An Internationally Competitive Financial Services Industry		1,902,361	1,902,361
FSC 8 - A Business Climate Conducive to Local Commerce		249,785	249,785
FSC 10 - A Robust, Efficient Regime for the Registration of Corporate and Vital Information, and the Licensing of Businesses		3,078,987	3,078,987
FSC 11 - Fair Competition in Domestic Commercial activity		686,133	686,133
FSC 12 - Ministry Strategy, Communications and Operations Support		1,938,004	1,938,004
FSC 13 - Environmental Services and Research		4,503,178	4,503,178
<b>Public Entities</b>			
AOA 1 - Auditors Oversight Authority	315,000	315,000	-
CMA 1 - Policy Advice on Maritime Matters	172,405	172,405	-
CMA 2 - Technical Advice and Support on Maritime Matters	93,844	93,844	-
CMA 4 - State Inspections and Investigation Services	67,897	67,897	-
CMA 5 - Long Range Identification and Tracking of Ships	85,000	85,000	-
DVB 1- Administration of Lending for Human Resource Development	127,132	127,132	-
DVB 2- Administration of Lending for Micro and Small Businesses	156,025	156,025	-
DVB 3- Administration of Mortgage Lending	243,160	243,160	-
MOA 6 - Regulation of the Cayman Islands Currency	1,399,995	1,400,000	5
MOA 8 - Collection of Fees	300,000	300,000	-
MOA 12 - Regulation of the Financial Services Industry	7,137,884	7,110,000	(27,884)
MOA 13 - Assistance to Overseas Regulatory Authorities	979,995	980,000	5
MOA 14 - Policy Advice and Ministerial Services	875,010	875,000	(10)
<b>Non-Governmental Suppliers</b>			
NGS 74 - Preservation of Natural Environments and Places of Historic	770,000	570,000	(200,000)
<b>Transfer Payments</b>			
TP 63 - Support to Local Business Associations	140,000	140,000	0
<b>Other Executive Expenses</b>			
OE 66 - United Nations Caribbean Environmental Programme		8,000	8,000
OE 94 - OECD-Global Forum	1,646	18,000	16,354
<b>Equity Investments</b>			
EI 4 - Cayman Islands Development Bank	1,500,000	1,500,000	-
EI 67 - Ministry of Financial Services, Commerce and Environment	505,616	675,000	169,384

## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Minister of Finance &amp; Economic Development</b>			
FED 1 - Policy Advice and Ministerial Services	1,713,233	1,859,388	146,155
FED 2 - Governance and Administrative Services	258,729	313,553	54,824
FED 3 - Collection of Coercive Revenue	1,919,991	2,183,979	263,988
FED 4 - Preparation and Publication of Statistical Reports	1,448,667	1,448,803	136
FED 5 - Financial Reporting and Management Services	4,051,194	3,862,455	(188,739)
FED 6 - Processing of Passengers and Inspection of Aircrafts, Vessels and	6,898,362	7,159,102	260,740
FED 7 - Detection, Interdiction and Prosecution of Customs Offences	1,933,363	1,949,674	16,311
FED 9 - Administration and Processing of Applications	392,542	513,332	120,790
FED 11 - Monitoring and Reporting on the Economy	202,834	202,834	0
<b>Public Entities</b>			
CIN 1- Health Insurance for Seamen and Veterans for Primary and Secondary Health Care	7,360,785	8,355,446	994,661
<b>Other Executive Expenses</b>			
OE 9- Caribbean Economic Community (CARICOM) Fees	153,476	168,000	14,524
OE 27- Past Service Pension Liability Payment	11,400,000	11,400,000	-
OE 54 - Caribbean Catastrophe Risk Insurance Facility - Annual Premium	453,646	500,000	46,354
OE 57 - Executive Bank Charges	20,935	10,000	(10,935)
OE 86 - Compensation	268,000	268,000	-
<b>Equity Investments</b>			
EI 70 - Ministry of Finance and Economic Development	650,000	650,000	-
<b>Loans Made</b>			
LM 1- Civil Service Mortgages to Staff	581,523	60,000	(521,523)
LM 3- Personal Loans to Staff	49,754	50,000	246
LM 4 - Overseas Medical Loans	63,742	250,000	186,258
LM 11 - Settlement Loans	898,160	320,000	(578,160)
<b>Financing Expenses</b>			
FE 3- Interest on Public Debt	27,597,626	27,604,083	6,457

## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Minister of Education, Employment and Gender Affairs</b>			
EGA 1- Policy Advice, Governance and Ministerial Support Services	4,289,548	4,800,024	510,476
EGA 2- Job Placement and Employer Support Activities	1,465,036	1,533,281	68,245
EGA 3- Employment Regulatory Activities	1,030,615	1,030,615	-
EGA 4- Public Library Services	1,544,880	1,597,162	52,282
EGA 5- Primary Education Services	20,302,643	20,302,643	-
EGA 6- Secondary Education Services	24,976,896	24,976,896	-
EGA 7- Education Services for Students with Special Needs	7,757,553	7,757,553	-
EGA 8- Facilities Maintenance and Procurement Management	7,910,035	7,910,035	-
EGA 9- Training and Support for Adults with Disabilities	1,268,323	1,411,352	143,029
EGA 10- Education Evaluation and Support Services	4,471,570	4,852,484	380,914
<b>Public Entities</b>			
CCO 1- Teaching of Tertiary Level Professional and Vocational Programmes	4,077,658	4,086,205	8,547
CDB 1- Disbursement Government Scholarship Funding	42,951	42,951	-
<b>Non-Governmental Suppliers</b>			
NGS 25- Teaching of Tertiary Education Courses	90,000	90,000	-
NGS 27- Supervision of Pre-School Children	54,000	54,000	-
NGS 34- Primary and Secondary Education by Private Schools	1,529,993	1,530,000	7
NGS 76- Autism Diagnostics and Sexual Trauma Recovery Programme	26,150	28,825	2,675
NGS 79- K9 Security Services	23,103	31,500	8,398
<b>Transfer Payments</b>			
TP 27- Pre-School Educational Assistance	713,800	713,800	-
TP 30- Local and Overseas Scholarships and Bursaries	10,762,690	10,762,690	-
TP 51- Other Educational Assistance	180,122	249,154	69,032
TP 52- Young Nation Builders Scholarships	180,000	600,000	420,000
TP 56- Employment Initiatives	607,386	641,000	33,614
TP 61- Student Enrichment & Support Services	554,850	554,850	-
<b>Other Executive Expenses</b>			
OE 11- Subscription to Caribbean Examinations Council	11,304	13,455	2,151
OE 12- University of the West Indies Membership Levy	161,000	161,000	-
<b>Equity Investments</b>			
EI 12- Ministry of Education, Employment and Gender Affairs	5,379,000	5,000,000	(379,000)

## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Minister of Home Affairs, Health &amp; Culture (Health)</b>			
HES 1 - Policy Advice and Ministerial Services	1,834,610	1,834,610	(0)
HES 2 - Health Regulatory Services	1,176,344	1,176,344	0
HES 7 - Collection, Recycling and Disposal of Waste	3,678,201	3,678,201	(0)
HES 8 - Public Health Services	1,630,380	1,630,380	-
HES 9 - Environmental Health Monitoring Services	506,661	506,661	(0)
HES 10 - Emergency Response Services	210,294	210,294	(0)
HES 11 - Mosquito Control Services	7,040,395	5,797,106	(1,243,289)
HEA 2 - Medical Care for Indigents	10,971,005	10,971,005	-
HEA 6 - Medical Services in Cayman Brac and Little Cayman	3,445,158	3,445,158	-
HEA 10 - Ambulance Services	2,307,647	2,247,293	(60,354)
HEA 11 - Services at District Health Clinics	2,340,003	2,242,947	(97,056)
HEA 12 - Mental Health Services	2,231,204	2,231,204	-
HEA 16 - Geriatric Services	815,364	815,364	(0)
HEA 17 - Medical Care Beyond Insurance Coverage/Un-Insured	2,020,000	2,020,000	-
HEA 18 - School Health Services	1,430,445	1,430,445	-
HEA 19 - Medical Care For Chronic Ailments	803,860	775,608	(28,252)
HEA 20 - Public Health Programmes, Investigations and Treatments	2,050,967	1,580,576	(470,391)
HEA 21 - Medical Internship Programme	150,000	150,000	-
<b>Public Entities</b>			
MUS 4 - Collection and Preservation of Significant Material Evidence	147,744	147,744	-
MUS 5 - Museum Facilities, Exhibitions and Displays	541,728	541,728	-
MUS 6 - Provision of Policy and General Advice on Museum Matters	131,328	131,328	-
NCF 7 - Arts and Culture Preservation, Documentation and Promotion	99,873	99,873	-
NCF 8 - National Festivals and Stage Productions	467,438	467,438	-
NCF 9 - Training and Support for Artistic Development	61,589	61,589	-
NAG 1 - Exhibitions and Art Festivals	116,193	116,193	-
NAG 2 - National Art Collection	67,036	67,036	-
NAG 3 - Art Education and Outreach Programmes	218,621	218,621	-
TAB 6 - Cultural Programmes	8,550	8,550	-
<b>Non-Governmental Suppliers</b>			
NGS 4 - HIV/AIDS and First Aid Public Education Programmes	22,325	22,325	-
NGS 53 - Palliative Care Nursing	50,824	50,825	1
NGS 54 - Social Marketing for Prevention of HIV/AIDS	45,125	45,125	-
NGS 55 - Tertiary Care at Various Overseas Institutions	17,352,240	11,443,847	(5,908,393)
NGS 83 - Other Health and Cultural Programmes	21,375	21,375	-
<b>Transfer Payments</b>			
TP 73 - Other Health & Cultural Programme Assistance	149,999	150,000	1
<b>Other Executive Expenses</b>			
OE 14 - Caribbean Food & Nutrition Institute Subscription	2,500	2,500	-
OE 15 - Pan American Health Organisation Subscription	6,174	18,000	11,826
OE 16 - Caribbean Health Research Council Subscription	5,000	5,000	-
OE 17 - Caribbean Epidemiology Centre Subscription	12,922	15,000	2,078
OE 105 - Settlement of Claims	350,000	350,000	-
<b>Equity Investments</b>			
EI 29 - Health Services Authority	999,970	1,000,000	30
EI 53 - Ministry of Home Affairs, Health and Culture - Health	1,696,682	2,200,000	503,318
<b>Executive Assets</b>			
EA 30 - Cemetery Vaults - Grand Cayman	95,857	100,000	4,143

## Annual Statement of Appropriations (continued)

	Actual CIS\$000	Original Budget CIS\$000	Actual vs Budget CIS\$000
<b>Appropriations to the Deputy Governor</b>			
CIV 1 - Policy Advice to the Head of the Civil Service	790,256	790,256	(0)
CIV 2 - Auditing Compliance with Human Resource & Internal Financial Policies	955,090	955,090	-
CIV 3 - Management of Public Sector Reform	588,814	673,578	84,764
CIV 7 - Civil Service College	551,549	551,549	-
CIV 8 - Human Resource and Accounting Services	963,171	963,171	(0)
CIV 10 - Servicing of the Legislative Assembly and Members of the Legislative Assembly	1,067,439	1,067,438	(1)
CIV 11 - Servicing and Support for H.E. the Governor	680,246	680,246	(0)
CIV 12 - Preservation and Management of Records	1,071,757	1,071,757	-
CIV 13 - Maintenance of the Electoral Register	412,248	412,248	-
CIV 14 - Support for Commissions	819,692	859,362	39,670
CIV 15 - Policy Advice and Administrative Support Provided to the Deputy Governor	216,137	216,137	(0)
<b>Public Entities</b>			
CIN 2 - Health Insurance for Civil Service Pensioners	21,238,381	21,350,990	112,609
<b>Non-Governmental Suppliers</b>			
NGS 20 - Employee Assistance Programme	126,000	126,000	-
<b>Other Executive Expenses</b>			
OE 2 - Personal Emoluments for H.E. the Governor, Premier, Deputy Premier, Speaker of the Legislative Assembly, Ministers, Elected Members of the Legislative Assembly and Deputy Governor	3,371,305	3,392,323	21,018
OE 19 - Ex-Gratia Recipients Plan Payments	1,200,000	1,213,000	13,000
OE 71 - Commonwealth Parliamentary Association	125,000	125,000	-
OE 99 - Ex-Gratia Payments for Former Members of the Legislative Assembly		12,000	12,000
OE 100 - Depreciation of the Portfolio of Civil Service Executive Assets	5,836,787	170,000	(5,666,787)
<b>Equity Investments</b>			
EI 35 - Portfolio of the Civil Service		91,000	91,000



## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Attorney General</b>			
LGA 1- Provision of Legal Advice and Representation	1,936,837	1,936,837	-
LGA 3- Law Teaching and Publications	1,306,372	1,306,372	-
LGA 4- Drafting of Legislation	971,068	971,068	-
LGA 5- Policy Advice to the Attorney General	1,040,926	1,040,926	-
LGA 6 - Financial Intelligence Services	772,112	772,112	-
LGA 7 - Review & Modernization of Laws	389,127	389,127	-
<b>Other Executive Expenses</b>			
OE 6 - Contribution to Caribbean Financial Action Task Force	45,942	85,000	39,058
OE 26- Personal Emoluments for the Attorney General	209,414	186,822	(22,592)
<b>Appropriations to Cabinet on behalf of the Office of the Director of Public Prosecutions</b>			
DPA 1 - Prosecution and International Co-operation	3,031,059	3,031,059	-
<b>Appropriations to the Cabinet on Behalf of the Chief Justice</b>			
JAD 1- Administrative Support to the Judiciary	1,324,094	1,324,094	-
JAD 2- Support for Court Proceedings	3,788,097	3,788,097	-
JAD 3- Collection of Revenue	569,525	569,525	-
JAD 4- Financial Management of Court Funds	264,279	264,279	-
<b>Public Entities</b>			
HEA 8 - Autopsy and Coroner Services	180,621	240,000	59,379
<b>Non-Governmental Suppliers</b>			
NGS 2 - Legal Aid Services	3,004,202	2,700,000	(304,202)
<b>Other Executive Expenses</b>			
OE 1 - Personal Emoluments for the Judiciary	1,941,925	1,895,614	(46,311)
OE 4 - Judiciary Expenses	1,310,607	1,031,000	(279,607)
OE 43 - Depreciation of Judicial Executive Assets	30,853	118,570	87,717
OE 65 - Court of Appeal Expenses	468,410	570,000	101,590
OE 102 - New Court House	242,774	200,000	(42,774)

## Annual Statement of Appropriations (continued)

	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriation to the Public Accounts Committee</b>			
ADO 2- Services to the Legislative Assembly and its Committee	499,435	664,000	164,565
<b>Appropriations to the Oversight Committee of the Legislative Assembly (Complaints Commissioner)</b>			
TCC 1- Public Interest Investigations	676,466	676,466	-
TCC 2 - Policy Advice and Public Education Outreach	106,945	106,945	-
<b>Appropriations to the Oversight Committee of the Legislative Assembly (Information Commissioner)</b>			
FIL 1 - Compliance with Freedom of Information Legislation	571,815	796,983	225,168
<b>Total Appropriations</b>	<b>573,444,309</b>	<b>593,499,390</b>	<b>19,278,073</b>

## Statement of Un-Appropriated Financial Transactions

Government of the Cayman Islands Statement of Un-Appropriated Expenditure For the Year Ended 30 June 2016			
	Actual CI\$000	Original Budget CI\$000	Actual vs Budget CI\$000
<b>Appropriations to the Premier</b>			
CBO 17 - Information Services Provided to Other Government Agencies	948,916	928,449	(20,467)
CBO 21 - Broadcasting of Public Information and On Air Programmes	1,123,132	1,102,747	(20,385)
<b>Appropriations to the Minister of Home Affairs, Health &amp; Culture (Home Affairs)</b>			
<b>Non-Governmental Suppliers</b>			
NGS 38 - Services for Irregular Migrants	3,167,702	270,000	(2,897,702)
<b>Transfer Payments</b>			
TP 46 - Emergency Relief Payments	98,666	30,000	(68,666)
<b>Appropriations to Minister of Community Affairs, Youth &amp; Sports</b>			
<b>Non-Governmental Suppliers</b>			
NGS 64 - Care of the Indigent, Elderly and Disabled Persons	1,800,000	1,500,000	(300,000)
<b>Transfer Payments</b>			
TP 50 - Pre-School Assistance	18,635	(50,000)	(68,635)
TP 60 - Housing Assistance	172,025	(74,513)	(246,538)
<b>Other Executive Expenses</b>			
OE 78 - Depreciation of Ministry of Community Affairs, Youth and Sports - Executive Assets	46,713	27,000	(19,713)
<b>Appropriations to the Minister of District Administration, Tourism &amp; Transport</b>			
<b>Other Executive Expenses</b>			
OE 91 - Depreciation of Ministry of District Administration, Tourism and Transport Executive Assets	309,781	173,305	(136,476)
<b>Appropriations to the Minister of Finance &amp; Economic Development</b>			
<b>Loans Made</b>			
LM 1- Civil Service Mortgages to Staff	581,523	60,000	(521,523)
LM 11 - Settlement Loans	898,160	320,000	(578,160)
<b>Appropriations to the Minister of Home Affairs, Health &amp; Culture (Health)</b>			
HEA 10 - Ambulance Services	2,307,647	2,247,293	(60,354)
HEA 11 - Services at District Health Clinics	2,340,003	2,242,947	(97,056)
HEA 19 - Medical Care For Chronic Ailments	803,860	775,608	(28,252)
HEA 20 - Public Health Programmes, Investigations and Treatements	2,050,967	1,580,576	(470,391)
<b>Non-Governmental Suppliers</b>			
NGS 55 - Tertiary Care at Various Overseas Institutions	17,352,240	13,443,847	(3,908,393)
<b>Appropriations to the Deputy Governor</b>			
<b>Other Executive Expenses</b>			
OE 100 - Depreciation of the Portfolio of Civil Service Executive Assets	5,836,787	170,000	(5,666,787)
<b>Equity Investments</b>			
EI 35 - Portfolio of the Civil Service		91,000	91,000
<b>Appropriations to the Attorney General</b>			
<b>Other Executive Expenses</b>			
OE 26- Personal Emoluments for the Attorney General	209,414	186,822	(22,592)
<b>Appropriations to the Cabinet on Behalf of the Chief Justice</b>			
<b>Non-Governmental Suppliers</b>			
NGS 2 - Legal Aid Services	3,004,202	2,700,000	(304,202)
<b>Other Executive Expenses</b>			
OE 1 - Personal Emoluments for the Judiciary	1,941,925	1,895,614	(46,311)
OE 4 - Judiciary Expenses	1,310,607	1,031,000	(279,607)
OE 65 - Court of Appeal Expenses	468,410	570,000	101,590
OE 102 - New Court House	242,774	200,000	(42,774)
<b>Total Appropriations</b>	<b>47,034,090</b>	<b>31,421,695</b>	<b>(15,612,395)</b>

## Statement of Expenses or Capital Expenditure Incurred in Emergencies

There were no emergency situations which warranted emergency spending during the year ended 30th June 2016.

# Supplementary Statements

## NOTE 41: OUTPUTS FROM STATUTORY AUTHORITIES & GOVERNMENT COMPANIES

In order to improve the delivery and range of services it offers to the public, the Government has established several authorities and companies with the sole mandate of making such a good or service available to the public with the mode of delivery being akin to, or comparable to, private sector operating standards. These bodies are overseen by Boards appointed by the sitting Government and are governed by a law specific to that particular entity. In an effort to reduce cost to the general public, the Government subsidises the cost of operation with the public being asked to make minimal contributions for these services. For the year ended 30th June 2016, the Government provided subsidies amounting to \$98.5 million.

<b>EPS Actual 2014/2015 C\$000</b>	<b>Description</b>	<b>EPS Actual 2015/2016 C\$000</b>
315	Audit Oversight Committee	315
17,806	Cayman Airways Ltd	17,306
571	Cayman Islands Development Bank	569
6,865	Cayman Islands Monetary Authority	10,693
27,967	Cayman Islands National Insurance Company	28,599
629	Cayman National Cultural Foundation	629
2,178	Children & Youth Services Foundation	2,515
15	Electricity Regulatory Authority	-
28,431	Health Services Authority	28,746
346	Information and Communications Technology Authority	325
419	Maritime Authority Cayman Islands	419
553	National Drug Council	553
402	National Gallery of the Cayman Islands	402
581	National Housing Development Trust	580
821	National Museum	821
72	Sister Islands Affordable Housing Corporation	72
1,961	Tourism Attractions Board	1,911
4,073	University College of the Cayman Islands	4,078
<b>94,004</b>	<b>Total Outputs from Public Entities</b>	<b>98,533</b>

## NOTE 42: INVESTMENT IN STATUTORY AUTHORITIES & GOVERNMENT COMPANIES

EPS Actual 2014/2015 C\$000	Description	Equity Injection C\$000	Prior Period Adjustments C\$000	Withdrawals C\$000	Surplus/ (Deficit) C\$000	EPS Actual 2015/2016 C\$000
294	Audit Oversight Committee	-	-	-	6	300
1,581	Sister Islands Affordable Housing Corporation	-	8	-	(66)	1,523
22,756	Cayman Islands Monetary Authority	-	927	-	810	24,493
68,368	Water Authority-Cayman	-	(113)	-	5,338	73,593
43,996	Port Authority	-	(20,033)	-	(2,763)	21,200
6,241	Cayman Islands Development Bank	1,500	264	-	11	8,016
2,963	National Gallery of the Cayman Islands	-	(1)	-	(254)	2,708
2,529	National Museum	-	211	-	29	2,769
5,582	University College of the Cayman Islands	-	2,349	-	214	8,145
6,344	Civil Aviation Authority	-	(753)	(2,031)	3,268	6,828
347	National Drug Council	-	(1)	-	13	359
4,817	Cayman National Cultural Foundation	-	(125)	-	(107)	4,585
82,202	Health Services Authority	1,000	11,009	-	4,547	98,758
11,139	Tourism Attractions Board	-	(1,549)	-	(66)	9,524
1,855	Information and Communications Technology Authority	-	(57)	-	(57)	1,741
3,461	Maritime Authority of the Cayman Islands	-	1	-	433	3,895
1,215	Children & Youth Services Foundation	-	(11)	-	256	1,460
2,868	National Housing Development Trust	2,436	935	-	(1,397)	4,842
(39,114)	Cayman Airways Ltd	7,500	481	-	3,205	(27,928)
2,237	Cayman Islands Stock Exchange	-	(298)	-	485	2,424
6,482	Cayman Islands Turtle Farm (1983) Ltd	9,000	4,164	-	(6,112)	13,534
4,538	National Roads Authority	-	(380)	-	673	4,831
68,919	Cayman Islands Airports Authority	-	(152)	-	10,885	79,652
18,617	Cayman Islands National Insurance Company	-	(1,349)	-	(1,343)	15,925
1,553	Electricity Regulatory Authority	-	2	(150)	191	1,596
<b>331,790</b>	<b>Total</b>	<b>21,436</b>	<b>(4,471)</b>	<b>(2,181)</b>	<b>18,199</b>	<b>364,773</b>

## NOTE 43: DETAILS OF BORROWINGS

### Central Government

<b>Government of the Cayman Islands</b> <b>Details of Borrowings</b> <b>as at 30th June 2016</b>					
	Type of Debt	Managed By	Original Borrowing \$'000	Balance as at 30th June 2016 CIS'000	Balance as at 30th June 2015 CIS'000
<b>The Cayman Islands Government Securities Law, 2003</b> <b>2003 Bond Issue</b> Bond issue in the amount of US\$163.2 million on 8th April 2003 with a final maturity date of 8th April 2018. Interest is payable at a fixed rate of 5.3% per annum over the 15 year life of the Bond. Principal of USD5,440,000 plus interest is repaid semi-annually in April and October.	Foreign Currency Debt	Central Government	US 163,200	18,224	27,336
<b>2009 Notes Issue</b> Notes issue in the amount of US\$312.0 million on 19th November 2009 with a final maturity date of 19th November 2019. Interest is payable semi-annually at a rate of 5.95% per annum over the 10 year life of the Bond.	Foreign Currency Debt	Central Government	US 312,000	261,300	261,300
<b>CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10123355</b> Facility in the amount of US\$28.8 million, advanced on 23th November 2005, amortised over 15 years at a fixed interest rate of 5.58% per annum. Principal repayments of US\$0.5 million plus interest payable quarterly, commenced 28 February 2006 with final repayment due 30th November 2020.	Foreign Currency Debt	Central Government	US 28,800	7,200	8,800
<b>CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10207828</b> Facility in the amount of US\$12 million, advanced on 14th December 2006, amortised over 15 years. Principal repayments of US\$0.3 million plus interest payable quarterly, commenced 14th March 2007 with a final repayment on 14 December 2015. The interest rate was fixed at 1.25% on 16th December 2013 for the remaining life of the loan.	Foreign Currency Debt	Central Government	US 12,000	-	556
<b>CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10331239</b> Facility in the amount of US\$63.0 million, advanced on 27th June 2008, amortised over 15 years. Principal repayments of US\$1.0 million plus interest payable quarterly, commenced 24th Oct 2008 with final repayment due 24th June 2023. The interest rate was fixed at 2.71% on 23 January 2014 for the remaining life of the loan.	Foreign Currency Debt	Central Government	US 63,000	25,375	28,875
<b>CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10330158</b> Facility in the amount of US\$45.6 million, advanced on 24 June 2008, amortised over 15 yrs. Principal repayments of US\$0.8 million plus interest payable quarterly, commenced 24th Oct 2008. The interest rate was fixed at 2.71% on 24 June 2014 for the remaining life of the loan.	Foreign Currency Debt	Central Government	US 45,600	18,367	20,900



**Government of the Cayman Islands**  
**Details of Borrowings**  
as at 30th June 2016

	Type of Debt	Managed By	Original Borrowing \$'000	Balance as at 30th June 2016 CIS'000	Balance as at 30th June 2015 CIS'000
<b>CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10276203</b> Facility in the amount of US\$47.16 million, advanced on 26 October 2007, amortised over 15 years. Principal repayments of US\$0.8 million plus interest payable quarterly, commenced 11th May 2008. Interest rate was fixed at 2.67% on 11th February 2014 for the remaining life of the loan.	Foreign Currency Debt	Central Government	US 47,160	17,685	20,305
<b>CIBC FirstCaribbean International Bank (Cayman) Limited Loan # 10444245</b> Facility in the amount of US\$185.0 million, advanced on 19th April 2011, amortised over 15 years at a fixed-rate of 5.44% per annum. Semi-annual payments of interest only commenced 19 October 2011 with Principal payments of US\$9.2 million plus interest to commence 19th October 2016.	Foreign Currency Debt	Central Government	US 185,074	154,228	154,228
<b>European Investment Bank Loan # 8.0283</b> <b>1989 Cayman Islands Community College</b> Loan of EUR1.5 million repayable over 30 years commencing 15th October, 1999 at interest of 1.0% per annum on outstanding balance.	Foreign Currency Debt	Central Government	EUR 1,500	652	701
<b>European Investment Bank Loan # 8.0056</b> <b>1981 Civil Aviation Authority (Cayman Brac Airport):</b> Soft Loan of EUR 0.3 repayable over 30 years commencing 1st May, 1990 at interest of 1.0% per annum on outstanding balance with final repayment May 2027.	Foreign Currency Debt	Central Government	EUR 330	41	53
<b>European Investment Bank Loan # 8.0244</b> <b>1987 Civil Aviation Authority (Cayman Brac Airport):</b> Loan of EUR 0.7 million repayable over 30 years commencing 5th November 1997 at interest of 1.0% per annum on outstanding balance with final repayment November 2019.	Foreign Currency Debt	Central Government	EUR 658	246	268
<b>TOTAL DEBTS MANAGED BY CENTRAL GOVERNMENT</b>				<b>503,318</b>	<b>523,321</b>

## Statutory Authorities and Government Companies

<b>Statutory Authorities and Government Owned Companies</b> <b>Details of Borrowings</b> <b>as at 30th June 2016</b>					
	Type of Debt	Managed By	Original Borrowing \$'000	Balance as at 30th June 2016 CIS'000	Balance as at 30th June 2015 CIS'000
<b>RBC Royal Bank of Canada</b>  During the year ended 30th June 2004, the Company entered into a loan agreement with Royal Bank of Canada (Cayman Islands) ("RBC") to obtain funds to a total value of \$23,602,333, which was to be repaid over a fifteen year period. This funding was obtained in order to provide funds for operational needs. In November 2011, the Company entered in new agreement with RBC covering all existing credit facilities ("Credit Facilities") with RBC at that time, the terms of which supersede all previous borrowing agreements. In June 2013, the agreement was amended to add US\$5 million from the overdraft facility onto the existing loan facility. The Company is required to pay an amount of \$189,825 monthly relating to both principal and interest. The loan bears a floating rate of interest priced at one month Libor plus 2.5% per annum. The loan is secured by way of guarantee from the Government.	Foreign Currency Debt	Cayman Airways Ltd	US 28,602	7,629	9,543
<b>RBC Royal Bank of Canada</b>  During the year ended 30th June 2004, the Company entered into a loan agreement with RBC to obtain funds to a total value of \$21,055,000, which will be repaid over a fifteen year period. The agreement required a local bank in the Cayman Islands to provide 50% of the required funds (see (iii) below). This funding was obtained in order to provide funds for operational needs. In November 2011, the Company entered in new agreement with RBC covering all existing credit facilities ("Credit Facilities") with RBC at that time, the terms of which supersede all previous borrowing agreements. The Company is required to pay principal payments of \$110,052 plus accrued interest on the outstanding balance. The loan bears a floating rate of interest priced at one month Libor plus 2.5% per annum. The loan is secured by way of guarantee from the Government.	Foreign Currency Debt	Cayman Airways Ltd	US 10,528	2,175	2,729
<b>CIBC FirstCaribbean International Bank</b>  Consequent to the agreement as described above, RBC entered into a loan agreement with First Caribbean International Bank (Cayman) Ltd. ("FCIB") to provide funding to a total value of \$10,527,500, which will be repaid over a fifteen year period (collectively, the "Club Loan"). Pursuant to this agreement, the Company must comply with the covenants contained in (ii) above. In the event of default, FCIB may, by written notice to the Company through RBC, declare all borrowings under the Club Loan agreement to be immediately due and payable. During the years ending 30th June 2015 and 2014, the Company had failed to comply with a financial reporting covenant related to the provision of the Company's annual audited financial statements to the lenders, within 180 days of the financial year end. However, as at 30th June 2015 and 2014, neither RBC nor FCIB had provided written notice of intent to act as a result of this failure and had instead provided waivers of such covenants to the Company. The loan is secured by way of guarantee from the Government.	Foreign Currency Debt	Cayman Airways Ltd	US 10,528	2,175	2,729
<b>CIBC FirstCaribbean International Bank</b>  During the year ended 30 June 2007, the Company entered into a loan agreement with FCIB to obtain funds to a total value of \$4,200,000, which will be repaid over a ten year period. This funding was obtained in order to provide funds for capital expenditure. The Company is required to pay an amount of \$40,000 monthly relating to both principle and interest. The loan bears a floating rate of interest priced at one month Libor plus 0.75% per annum. The loan is secured by way of guarantee from the Government.	Foreign Currency Debt	Cayman Airways Ltd	US 4,200	452	850
<b>CIBC FirstCaribbean International Bank</b>  During the year ended 30th June 2009, the Company entered into a loan agreement with FCIB to obtain funds to a total value of \$15,000,000, which will be repaid over a fifteen year period. This funding was obtained in order to provide funds for operational needs. The loan bears a floating rate of interest priced at one month Libor plus 3.5% per annum. The loan is secured by way of guarantee from the Government.	Foreign Currency Debt	Cayman Airways Ltd	US 15,000	7,937	8,732

## Statutory Authorities and Government Owned Companies

# Details of Borrowings

as at 30th June 2015

	Type of Debt	Managed By	Original Borrowing \$'000	Balance as at 30th June 2016 CIS'000	Balance as at 30th June 2015 CIS'000
<b>Caribbean Development Bank</b> Mortgage: Commenced 2002 and maturing 2021. Interest rate of 3.95%. In May 2002, CDB granted a new line of credit of US\$5 million (CIS\$4.154 million) for mortgage financing to the Cayman Islands Government with the CDB acting as Executing Agent. This was in addition to 7/OR-CI line of credit of \$996,960 (US\$1,200,000).	Foreign Currency Debt	Cayman Islands Development Bank	US 4,875	1,636	1,947
<b>CIBC FirstCaribbean International Bank - Debt Consolidation</b> During June 2015, CIBD used funds from its fixed deposit to repay US\$5 Million credit facility which was originally due for repayment in January 2016 and received US\$36.8 Million proceeds under a new credit facility with FCIB to consolidate and repay the remaining credit facilities listed above. The new credit facility will be for a term of 10 years (maturing June 30, 2025) at an interest rate of U.S. 3-Month LIBOR plus 1.125% and is secured by a Government Guarantee. Under the terms of the agreement, interest only will be paid in the first 3 years after which amortized payments of principal and interest will be made	Foreign Currency Debt	Cayman Islands Development Bank	US 36,800	30,573	30,573
<b>CIBC FirstCaribbean International Bank (Cayman) Limited</b> The Authority secured a loan of \$800,000 from First Caribbean International Bank (FCIB) at an interest rate of 3.75% for 10 years. A building with carrying amount of \$893,187 (2014: \$920,444) is subject to a first charge to secure the loan.	Local Currency Debt	Health Services Authority	\$800	409	488
<b>CIBC FirstCaribbean International Bank (Cayman) Limited</b> On 4th November 2011, The Health Authority secured a loan of \$1,700,000 from FCIB at an interest rate of 3.75% for 10 years. A land with carrying amount of \$1,739,125 (2014: \$1,739,125) is subject to a first charge to secure the loan.	Local Currency Debt	Health Services Authority	\$1,700	980	1,144
<b>Bond</b> Issued at 5.238% 28th October 2004 for 20 years to 28th October 2024 with semi-annual payments	Foreign Currency Debt	National Housing Development Trust	US 14,500	6,760	7,377
<b>Bond</b> Issued in August 2009 at 11 yrs at 3.250 % for 19 years (first 2 yrs Monthly interest only, 9 yrs of semi-annually principal payments) Balloon note at end in 11 yrs 30th Dec 2019 or refinancing required.	Local Currency Debt	National Housing Development Trust	\$12,083	8,983	9,603
<b>RBC Royal Bank of Canada and Scotiabank</b> \$14,350,000 (US\$17,500,000) issued 30 March 2004 for the Royal Water Terminal and bearing interest of LIBOR (1.06920% as at 30 June 2012) plus 1.5% and repayable in monthly instalments starting from May 1, 2005 until July 31, 2017.	Foreign Currency Debt	Port Authority	US 17,500	1,752	3,183

## Statutory Authorities and Government Owned Companies

# Details of Borrowings

as at 30th June 2016

	Type of Debt	Managed By	Original Borrowing \$'000	Balance as at 30th June 2016 CIS'000	Balance as at 30th June 2015 CIS'000
<b>Cayman National Bank &amp; CIBC FirstCaribbean International Bank</b>	Foreign Currency Debt	Cayman Islands Turtle Farm (1983) Ltd	US 14,800	1,583	2,090
<p>The Cayman Islands Government by way of letter of undertaking guarantees the loan facilities for US\$14,800,000 (CIS\$12,432,000). Facilities 1 to 2 bear interest between 0.5% and 1.0% above US Dollar prime rate, reset monthly. Facility 3 bears interest at 3.75% above the 90-day London Interbank offer rate (LIBOR). The effective rate at June 30, 2015 is between 3.75% and 4.02% (2014: between 3.75% and 4.02%). The details of each facility is as below;</p> <p>On March 26, 2006, the Company obtained a loan facility ("Facility 1") from Cayman National Bank to assist the Company with budget shortfalls relating to the Park which is guaranteed by the Cayman Islands Government. The facility is on demand, repayable at blended monthly payments of principal and interest of US\$37,196 (CIS\$31,245) over a term of 118 months.</p> <p>On November 7, 2006, the Company obtained a loan facility ("Facility 2") from Cayman National Bank to assist the Company with budget shortfalls relating to the Park which is guaranteed by the Cayman Islands Government.. The loan is on demand, repayable at blended monthly payments of principal and interest of US\$130,340 (CIS\$109,486) over a term of 10</p> <p>On May 21, 2009, the Company obtained a loan facility ("Facility 3") from First Caribbean International Bank to assist the Company with operating cashflow shortfalls. The facility is fully guaranteed by the Cayman Islands Government. During the availability period (May 21, 2009 to October 30, 2009) the facility is carried on an interest only basis, payable monthly in arrears. Subsequent to this availability period, the facility will be repaid in blended principal and interest monthly installments of US\$22,000 (CIS\$18,480) commencing on November 30, 2009 for a period of 15 years.</p>					
<b>Guaranteed Senior Notes</b>	Foreign Currency Debt	Cayman Islands Turtle Farm (1983) Ltd	US 44,600	12,904	16,138
<p>Pursuant to a confidential placement memorandum, the Company issued Notes in the amount of US\$44,600,000 (equivalent to CIS\$37,464,000) primarily for the purpose of funding the Park. The Notes were issued at par and were placed by William Blair &amp; Company, L.L.C. (the "Placement Agent") with third party institutional investors. The Notes are guaranteed by the Cayman Islands Government up to an amount of CIS\$36,600,000. The Notes mature on March 1, 2019 and bear interest at a fixed rate of 4.85% per annum, payable quarterly in arrears. Quarterly payments commenced on June 2, 2004. The first 9 quarterly payments were interest only, and quarterly payments of principal and interest commenced on September 1, 2006. The principal amount of the Notes will amortise quarterly to an approximate final principal payment of US\$5,400,000 (CIS\$4,536,000) due on March 1, 2019.</p>					

## Statutory Authorities and Government Owned Companies

# Details of Borrowings

as at 30th June 2016

	Type of Debt	Managed By	Original Borrowing \$'000	Balance as at 30th June 2016 CIS'000	Balance as at 30th June 2015 CIS'000
<b>CIBC FirstCaribbean International Bank</b> New Administration Building Loan: 15 year loan of US\$2,421,500 commenced June 2007. Interest LIBOR plus 0.9%.	Foreign Currency Debt	Water Authority - Cayman	US 2,422	-	642
<b>CIBC FirstCaribbean International Bank</b> North Side Supply Extension and Pumping Facility: 15 year loan of US\$2,505,000 commenced December 2008. Interest LIBOR plus 0.9%.	Foreign Currency Debt	Water Authority - Cayman	US 2,505	-	1,020
<b>CIBC FirstCaribbean International Bank</b> Credit Facility . 15 Year loan Term . Commenced June 2009. Interest LIBOR plus 0.9%.	Foreign Currency Debt	Water Authority - Cayman	US 4,676	-	2,148
<b>Ocean Conversion (Cayman) Ltd</b> North Side-Original: 10 Year Loan of US\$9,176,442 commenced July 2009. Interest is 6.48%.	Foreign Currency Debt	Water Authority - Cayman	US 9,176	3,399	4,393
<b>Ocean Conversion (Cayman) Ltd</b> Red Gate-Upgrade: 7 year Loan of US\$3,063,816 commenced July 2009. Interest is 6.48%.	Foreign Currency Debt	Water Authority - Cayman	US 3,064	527	1,021
<b>TOTAL DEBTS MANAGED BY STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES</b>				<b>89,873</b>	<b>106,351</b>
<b>TOTAL BORROWINGS</b>				<b>593,191</b>	<b>629,672</b>

# Summary of Borrowings

as at 30th June 2016

		Original Borrowing US\$/CIS/€'000	Balance as at 30th June 2016 CIS'000	Balance as at 30th June 2015 CIS'000
<b>Summary by Type</b>	<b>Number of Debts</b>			
Total USD Debt	23	US\$ 1,080,609	581,880	627,018
Total KYD Debt	3	\$14,583	10,372	1,632
Other Currency Debt	3	€ 2,488	939	1,022
<b>Total Public Debt</b>	<b>29</b>		<b>593,191</b>	<b>629,672</b>
<b>Summary by assignment</b>				
Central Government - USD Debt	7	US\$ 856,834	502,379	522,299
Central Government - Euros Debt	3	€ 2,488	939	1,022
Statutory Authorities & Government Companies - USD Debt	16	US\$ 223,775	79,501	104,719
Statutory Authorities & Government Companies - KYD Debt	3	\$14,583	10,372	1,632
<b>Total Public Debt</b>	<b>29</b>		<b>593,191</b>	<b>629,672</b>

#### NOTE 44: STATEMENT OF TRUST HOLDINGS

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

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

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

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

As at 30th June 2016, the Government held \$101.4 million in trust assets as shown below.

<b>GOVERNMENT OF THE CAYMAN ISLANDS</b>				
<b>Statement of Trust Assets</b>				
<b>As at 30th June 2016</b>				
	<b>Opening Balance</b>	<b>Additions</b>	<b>Disbursements</b>	<b>Closing Balance</b>
	<b>CI\$000</b>	<b>CI\$000</b>	<b>CI\$000</b>	<b>CI\$000</b>
Prisoners' Monies	92	-	-	92
Immigration Repatriation Depos	5,406	-	-	5,406
Police Bail Bonds	295	12	(9)	298
Asset Forfeiture	484	0	(87)	397
Defunct Companies	24,171	9,092	(6,977)	26,286
Court Fund Trusts	50,688	11,186	(3,713)	58,161
Dormant Trusts Account	17,940	116,925	(124,541)	10,324
Immigration Bail Bonds	15	-	-	15
Other Trusts	463	-	-	463
<b>Total Trust Assets</b>	<b>99,553</b>	<b>137,216</b>	<b>(135,326)</b>	<b>101,444</b>

## NOTE 45: GOVERNMENT REPORTING ENTITIES AS AT 30TH JUNE 2016

Entity	Segment
Audit Office	CORE
Cabinet Office	CORE
Complaints Commissioner	CORE
Director of Public Prosecutions	CORE
Information Commissioner's Office	CORE
Judicial Administration	CORE
Ministry of Community Affairs Youth and Sports	CORE
Ministry of District Administration, Tourism & Transport	CORE
Ministry of Education, Employment & Gender Affairs	CORE
Ministry of Finance and Economic Development	CORE
Ministry of Financial Services, Commerce & Environment	CORE
Ministry of Health & Culture	CORE
Ministry of Home Affairs	CORE
Ministry of Planning, Lands, Agriculture, Housing & Infrastructure	CORE
Portfolio of Legal Affairs	CORE
Portfolio of the Civil Service	CORE
Auditors Oversight Authority	SAGC
Cayman Airways Ltd.	SAGC
Cayman Islands Airports Authority	SAGC
Cayman Islands Monetary Authority	SAGC
Cayman Islands National Insurance Company	SAGC
Cayman Islands Stock Exchange	SAGC
Cayman National Cultural Foundation	SAGC
Cayman Turtle Farm (1983) Ltd.	SAGC
Children and Youth Services Foundation	SAGC
Civil Aviation Authority	SAGC
Electricity Regulatory Authority	SAGC
Health Services Authority	SAGC
Information and Communications Technology Authority	SAGC
Maritime Authority of the Cayman Islands	SAGC
National Drug Council	SAGC
National Gallery	SAGC
National Housing Development Trust	SAGC
National Museum	SAGC
National Roads Authority	SAGC
Port Authority	SAGC
Shipping Authority	SAGC
Sister Islands Affordable Housing Development Corporation	SAGC
Tourism Attraction Board	SAGC
University College of the Cayman Islands	SAGC
Water Authority - Cayman	SAGC