



CAYMAN ISLANDS
GOVERNMENT

Financial Statements

Of

Portfolio of Finance and Economics

For the year ending 30 June 2009

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**PORTFOLIO OF FINANCE AND ECONOMICS
FINANCIAL STATEMENTS
JUNE 30, 2009**

**Portfolio of Finance and Economics
*Statement of Responsibility for Financial Statements***

These financial statements have been prepared in accordance with the provisions of the Public Management and Finance Law, 2005 Revision and The Public Management and Finance (Amendment) Law, 2011.

As Chief Officer and Deputy Chief Financial Officer, we are responsible for the preparation of the Financial Statements.

To the best of our knowledge these statements:

- (a) fairly reflect the financial position as at June 30th, 2009 and performance for the 2008/09 financial year ended 30 June 2009; and
- (b) comply with some of the International Public Sector Accounting Standards under the responsibility of the International Public Sector Accounting Standards Board.



Sonia McLaughlin
Chief Officer
Portfolio of Finance and Economics



Nina Vandine
Chief Financial Officer

7 September 2012

Auditor General's Report

To the Chief Officer of the Ministry of Finance, Tourism and Development – Public Finance and the Members of the Legislative Assembly of the Cayman Islands

I have audited the accompanying financial statements for the Portfolio of Finance and Economics (the "Portfolio"), which comprise the statement of financial position as at 30 June 2009 and the 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 8 to 15 in accordance with the provisions of Section 44(3) of the *Public Management and Finance Law (2010 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with International Public Sector Accounting Standards ("IPSAS"). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility for the Financial Statements

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

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

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

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

Bases for Qualified Opinion

No audit for the year ended 30 June 2008

Because of an amendment to the *Public Management and Finance Law (2010 Revision)*, the Portfolio did not present its financial statements for the year ended 30 June 2008 for audit. I have therefore not been able to verify the effects if any of misstatements that may exist in the balances of accounts at 1 July 2008, and the effects those misstatements if any may have on the statement of financial performance, statement of changes in net worth and statement of cash flows of the Portfolio for the year ended 30 June 2009.

Property, plant and equipment

The Portfolio's buildings and leasehold improvements at 30 June 2009 are not carried pursuant to the revaluation model. No evaluation was done to determine the effect of any changes in the value of buildings and leasehold improvements. Consequently, I have not been able to verify if the reported balance of property, plant and equipment at 30 June 2009 is fairly stated.

Warehousing Fees

Due to the lack of supporting documents, I have not been able to verify the completeness of Warehousing Fees under outputs to others, which is reported at \$538 thousand for the year ended 30 June 2009.

Components of Net Worth and Surplus Repayable

The lack of verifiable accounting records in the past years resulted into the inability on the part of the Portfolio to account for a difference of \$988 thousand in surplus repayable, reported under other current liabilities, at 30 June 2009. I was therefore not able to obtain an acceptable explanation for the discrepancy. As such, I am not able to ascertain that the reported balances of the components of net worth in the statement of financial position, and the balance of Surplus Repayable are fairly stated as of 30 June 2009.

IPSAS disclosures and presentation

The financial statements either failed to properly present or disclose, or completely failed to present or disclose a number of requirements under IPSAS. Taken together, the improper and/or deficient disclosures are material to the overall financial statements presentation for a complete understanding of the financial position and operations under IPSAS. These exceptions include, but are not limited, to the following significant items:

1. Statement of changes in net worth failed to disclose to the extent that components of net worth are separately disclosed in the statement of financial position, a reconciliation between the carrying amount of each component of net worth at the beginning and the end of the period, separately disclosing each change
2. Lease commitments as of 30 June 2009
3. Required disclosures for prior period adjustments, and the resultant restatement of prior year balances
4. For property, plant and equipment, a reconciliation of the carrying amount at the beginning and end of the period
5. Segment Reporting

Qualified Opinion

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the effects of any misstatements in the balances as of 1

July 2008, fairness of the balances of property, plant and equipment, the completeness of warehousing fees, the reasons for the unaccounted difference in surplus repayable balance, and the adequacy and propriety of the overall presentation and disclosures in the financial statements, the financial statements present fairly, in all material respects, the financial position of the Portfolio of Finance and Economics as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Other matters

The preparation of these financial statements did not comply with the timeframe required by the Public Management and Finance Law (2010 Revision), as amended, Section 44 (3A), which requires annual financial statements to be prepared, submitted to the Auditor General for auditing. In this case, the Portfolio did not submit its information in the timeframe required, to be in compliance with the Law.



Alastair J. Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
7 September 2012

**Portfolio of Finance and Economics
Statement of Financial Performance
For the year ended 30 June 2009**

		2008/09 Actual	2008/09 Budget	2007/08 Actual
	Note	\$000	\$000	\$000
Revenue				
Outputs to Cabinet		20,114	22,082	20,609
Outputs to other government agencies		1,226	1,193	1,498
Outputs to others		19,266	25,998	21,727
Interest/ Investment revenue		8	-	184
Other operating revenue		-	-	-
Total Operating Revenue		40,614	49,273	44,018
Operating Expenses				
Personnel costs	1	18,851	17,325	17,900
Supplies and consumables	2	9,749	10,851	8,162
Depreciation	3	702	721	688
Capital charge		359	359	1,353
Outputs from non-governmental organisations		-	-	-
Transfer payments		-	-	-
Other operating expenses		-	-	-
Total Operating Expenses		29,661	29,256	28,103
Surplus from operating activities and before extraordinary items		10,953	20,017	15,915
Non-operating expenses		145	-	-
Extraordinary items		-	-	18
Net Surplus		10,808	20,017	15,897

The accounting policies and notes on pages 9 to 16 form part of these financial statements.

**Portfolio of Finance and Economics
Statement of Changes in Net Worth
For the year ended 30 June 2009**

	2008/09 Actual	2008/09 Budget	2007/08 Actual (Restated)
Note	\$000	\$000	\$000
Opening balance net worth	8,581	17,611	13,519
Net surplus	10,808	20,017	15,897
Prior period adjustments	180	-	(5,658)
Property revaluations	-	-	-
Investment revaluations	-	-	-
Net revaluations during the period	180	-	(5,658)
Total recognised revenues and expenses	19,569	37,628	23,758
Equity investment	937	1,862	720
Repayment of surplus	(10,808)	(20,017)	(15,897)
Capital withdrawal	-	729	-
Closing balance net worth	9,698	20,202	8,581

The accounting policies and notes on pages 9 to 16 form part of these financial statements.

**Portfolio of Finance and Economics
Statement of Financial Position
As at 30 June 2009**

		2008/09 Actual	2008/09 Budget	2007/08 Actual (Restated)
	Note	\$000	\$000	\$000
Current Assets				
Cash and cash equivalents	4	27,782	9,203	22,290
Accounts receivable	5	11,684	5,103	7,252
Inventories	6	-	1	-
Other current assets		139	147	14
Total Current Assets		39,605	14,454	29,556
Non-Current Assets				
Property, plant and equipment	7	5,083	7,177	4,951
Other non-current assets		-	-	-
Total Non-Current Assets		5,083	7,177	4,951
Total Assets		44,688	21,631	34,507
Current Liabilities				
Accounts payable	8	1,979	1,113	3,378
Unearned revenue		-	-	-
Employee entitlements	9	290	223	828
Other current liabilities		32,721	93	21,720
Total Current Liabilities		34,990	1,429	25,926
Non-Current Liabilities				
Employee entitlements	10	-	-	-
Other non-current liabilities	11	-	-	-
Total Non-Current Liabilities		-	-	-
Total Liabilities		34,990	1,429	25,926
TOTAL ASSETS LESS TOTAL LIABILITIES		9,698	20,202	8,581
NET WORTH				
Contributed capital		9,519	(12,737)	8,581
Asset revaluation reserve		-	-	-
Accumulated surpluses		179	32,439	-
Total Net Worth		9,698	20,202	8,581

The accounting policies and notes on pages 9 to 16 form part of these financial statements.

Portfolio of Finance and Economics
Cash Flow Statement
For the year ended 30 June 2009

	2008/09 Actual	2008/09 Budget	2007/08 Actual
Note	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Outputs to Cabinet	22,574	21,282	18,442
Outputs to other government agencies	(1,177)	1,193	1,352
Outputs to others	14,800	27,798	23,894
Interest received	8	-	184
Other receipts	-	-	-
Payments			
Personnel costs	(19,513)	(17,324)	(17,288)
Suppliers	(11,524)	(10,993)	(8,398)
Other payments	198	(359)	16,952
Net cash flows from operating activities	12	5,366	21,597
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets	(811)	(1,862)	(541)
Proceeds from sale of non-current assets	-	-	-
Net cash flows from investing activities		(811)	(1,862)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity investment	937	1,862	720
Repayment of surplus	-	(20,017)	(16,952)
Capital withdrawal	-	729	-
Net cash flows from financing activities		937	(17,426)
Net increase in cash and cash equivalents		5,492	2,309
Cash and cash equivalents at beginning of period		22,290	6,894
Cash and cash equivalents at end of period	4	27,782	9,203

The accounting policies and notes on pages 9 to 16 form part of these financial statements.

**Portfolio of Finance and Economics
Notes to Financial Statements
For the Year Ended 30 June 2009**

Background Information

The Portfolio of Finance and Economics is a Government owned entity as defined in the Public Management and Finance Law (2008 Revision) and it is domiciled in the Cayman Islands.

The purpose of the Portfolio is to develop, implement and maintain macroeconomic and budgetary policies and maintain measures; to provide registry services and to manage the finances of the government and exercise supervision and control in all matters relating to financial affairs of the Cayman Islands. The Portfolio is also responsible for the inspection and clearance of people and goods entering and exiting the country and other border control activities. The Portfolio consists of several departments, including Budget and Management Unit, Customs Department, Economics and Statistics Office, Finance Administration, Internal Audit, Revenue Unit, Risk Management, Treasury, General Registry, Public Relations Unit and Tax Information Authority

General Accounting Policies

Reporting entity

These financial statements are for the Portfolio of Finance and Economics.

Basis of preparation

The financial statements have been prepared in accordance with some of International Public Sector Accounting Standards (IPSASs) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Accounting Standards and United Kingdom reporting standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for depreciation and or revaluations of certain assets.

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

Reporting Period

The reporting period is the period ended 30 June 2009.

Specific Accounting Policies

Revenue

Output revenue

Output revenue, including entity revenue resulting from user charges or fees, is recognised when it is earned.

Interest revenue

Interest revenue is recognised in the period in which it is earned.

Expenses

General

Expenses are recognised when incurred.

Depreciation

Depreciation of non-financial physical assets is generally provided on a straight-line basis at rates based on the expected useful lives of those assets.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the operating statement in accordance with the terms of the lease.

Assets

Cash and cash equivalents

Cash and cash equivalents include cash held in the Ministry or Portfolio's bank account and on deposit with the Portfolio of Finance and Economics (Treasury).

**Portfolio of Finance and Economics
Notes to Financial Statements
For the Year Ended 30 June 2009**

Specific Accounting Policies (continued)

Accounts Receivables and Prepayments

Accounts receivables are carried at the original invoice amount less an estimate for doubtful receivables based on a review of all outstanding amounts at the end of the year. The amount of any provision for doubtful receivables required would be recognized as an expense in the statement of financial performance.

Property, Plant and Equipment (including Infrastructure Assets)

Buildings are recorded at historical cost (or fair value as at time of first recognition) or valuation.

Other plant and equipment, which includes motor vehicles and office equipment, is recorded at cost (or fair value if acquired prior to 2003) less accumulated depreciation.

Computer Hardware and Software

Computer hardware and software are recorded at cost, and depreciated in accordance with the policy on depreciation.

Depreciation of property, plant and equipment is calculated using the straight-line method at the following rates, to allocate the cost of the assets over their estimated useful lives:

	<u>Years</u>
Buildings	40-60
Infrastructure assets	40-60
Roads and sidewalks	6-50
Water reticulation and sewage	6-50
Other (list separately if material)	5-15
Vehicles	4-12
Aeroplanes	9-20
Boats	9-20
Furniture and fittings	3-20
Computer hardware	3-10
Computer Software	3-10
Office equipment	3-20
Other plant and equipment	5-25
Other assets	3-25
Leasehold Improvements	Based on term of leases

Liabilities

Accounts Payable

Accounts payable are recorded at the amount owing after allowing for credit notes and other adjustments.

Provisions

Provisions are recognised in accordance with IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

Employee entitlements

Amounts incurred but not paid at the end of the reporting period are accrued. Annual leave due, but not taken, is recognised as a liability at the current rates of pay. Long service leave liabilities are measured as the present value of estimated leave service entitlements.

**Portfolio of Finance and Economics
Notes to Financial Statements
For the Year Ended 30 June 2009**

Specific Accounting Policies (continued)

Pension Obligations

Pension contributions for employees are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both employer and employee contributions. Prior to 1 January 2000 the scheme underlying the fund was a defined benefit scheme. With effect from 1 January 2000 the Fund had both a defined benefit and defined contribution element. Participants joining after that date became members of the defined contribution element. Pension scheme contributions are included in personnel costs in the statement of financial performance.

Government Contributions

Government contributions relate to the fixed asset acquisitions, working capital and cash of the Portfolio that are funded by Cabinet.

NOTE 1. PERSONNEL COSTS

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Salaries and wages (including employee pension contributions)	15,755	16,436	15,562
Employer/Government pension expense	814	888	774
Other personnel costs	2,282	-	1,564
Total Personnel Costs	18,851	17,324	17,900

NOTE 2. SUPPLIES AND CONSUMABLES

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Supply of goods and services	5,830	9,425	3,951
Operating lease rentals	1,392	1,426	1,960
Other	2,527	-	2,251
Total Supplies and Consumables	9,749	10,851	8,162

**Portfolio of Finance and Economics
Notes to Financial Statements
For the Year Ended 30 June 2009**

NOTE 3. DEPRECIATION

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Buildings	117	120	117
Roads and sidewalks	-	-	-
Water reticulation and sewage	-	-	-
Other infrastructure assets	-	-	-
Vehicles	57	31	54
Aeroplanes	-	-	-
Boats	-	-	-
Furniture and fittings	54	46	53
Computer hardware and software	83	117	80
Office equipment	55	158	50
Other plant and equipment	30	249	71
Other assets	306	-	263
Total Depreciation	702	721	688

NOTE 4. CASH AND CASH EQUIVALENTS

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Cash on hand	5	4	5
Bank accounts	27,084	9,099	21,601
Deposits with Portfolio Finance and Economic (Treasury)	693	100	684
Other cash or cash equivalents	-	-	-
Total Cash and Cash Equivalents	27,782	9,203	22,290

**Portfolio of Finance and Economics
Notes to Financial Statements
For the Year Ended 30 June 2009**

NOTE 5. ACCOUNTS RECEIVABLE

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Outputs to Cabinet	2,027	2,615	4,486
Outputs to other government agencies	-	-	-
Outputs to others	5,027	2,509	2,210
Overseas medical advances	-	-	-
Asset sales	-	-	-
Prepayments	-	-	3
Other Receivables	6,899	38	553
Total Gross	13,953	5,162	7,252
Less provision for doubtful debts	2,269	59	-
Total Net	11,684	5,103	7,252

NOTE 6. INVENTORIES

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Raw Materials (including Consumable Stores)	-	680	-
Work in Progress	-	-	-
Finished Goods	-	-	-
Total Inventories	-	680	-

**Portfolio of Finance and Economics
Notes to Financial Statements
For the Year Ended 30 June 2009**

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Book Value 2008/09	2008/09 Budget	Book Value 2007/08
	\$000	\$000	\$000	\$000	\$000
Land					-
Buildings	4,671	1,928	2,743	3,194	2,850
Vehicles	357	233	124	278	151
Aeroplanes	-	-	-	-	-
Boats	-	-	-	-	-
Furniture and fittings	677	295	382	315	436
Computer hardware and software	582	446	136	2,252	183
Office equipment	496	328	168	357	161
Other plant and equipment	1,795	1,219	576	765	207
Construction in progress	954	-	954	16	298
Other assets	-	-	-	-	665
Total	9,532	4,449	5,083	7,177	4,951

NOTE 8. ACCOUNTS PAYABLE

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Trade creditors	417	28	159
Operating lease rental	-	-	-
Other accounts payable	126	-	3,219
Accruals	1,436	1,085	-
Total	1,979	1,113	3,378

NOTE 9. EMPLOYEE ENTITLEMENTS (CURRENT)

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Long service leave and other leave entitlements	290	223	349
Other salary related entitlements	-	-	479
Total Employee Entitlements	290	223	828

**Portfolio of Finance and Economics
Notes to Financial Statements
For the Year Ended 30 June 2009**

NOTE 10. EMPLOYEE ENTITLEMENTS (NON-CURRENT)

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Long service leave and other leave entitlements	-	-	-
Other salary related entitlements	-	-	-
Total	-	-	-

NOTE 11. OTHER NON-CURRENT LIABILITIES

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Provision for agency revenue repayable	-	-	-
Provision for restructuring	-	-	-
Accounts payable	-	-	-
Unearned revenue	-	-	-
Other	-	-	-
Total	-	-	-

NOTE 12. RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES

	2008/09 Actual	2008/09 Budget	2007/08 Actual
	\$000	\$000	\$000
Operating surplus/(deficit)	10,808	20,017	15,897
Non-cash movements	-	-	-
Depreciation	702	721	-
Increase in provision for doubtful debts	2,281	-	-
Decrease in payables/accruals	(1,086)	(871)	688
Personnel	(663)	-	18,070
Net gain/loss from sale of fixed assets	144	-	612
Net gain/loss from sale of investments	-	-	18
Increase in other current assets	-	-	-
Increase(Decrease) in receivables	(6,820)	1,730	(148)
Net cash flows from operating activities	5,366	21,597	35,137

**Portfolio of Finance and Economics
Notes to Financial Statements
For the Year Ended 30 June 2009**

NOTE 13. RELATED PARTY DISCLOSURE

The Portfolio of Finance and Economics is unaware of any material financial transactions between this entity and any senior government officials or members of Cabinet other than those of an employer employee nature.

As the Portfolio of Finance is a central Government Agency, it transacts business with approximately 120 other Departments in core Government as well as the wider public section. These business relationships are mainly due to the FMI reform whereby each cost centre seeks to show the true cost of producing its goods or services. These related party transactions will be fully eliminated in the preparation of the accounts for the entire public sector.

A total of \$ 1,844,378 was paid out during the fiscal year 2008/09 to 14 key management personnel at the Senior Management Level. The total remuneration includes: regular salary, allowances, pension contributions and health insurance contributions. Total remuneration for 14 key management personnel in 2007/08 was approximately \$1,404,731.

NOTE 14. OPERATING LEASE DISCLOSURE

During the 2008/09 financial year, the Portfolio of Finance and Economics rented various accommodations under operating lease agreements as part of its normal course of business. The table summarizes the various transactions.

Organization	Amount
AndroGroup, Ltd.	915
Cayman Corporate Centre	35,312
CIG – Cayman Islands Investment	250
CIG - Lands and Survey	1,836
CIG – Portfolio of Civil Service	2,500
CIG - Public Works	2,773
Flowers, Clarence B.	75,168
Mini Warehouse Two Ltd.	12,153
Montpelier Properties	309,969
Port Authority of Cayman Islands	32,504
SAGC - Cayman Islands Airport Authority	635,733
Surebuilt Construction	15,925
UBW Ltd.	265,806
Total	<u>1,390,844</u>