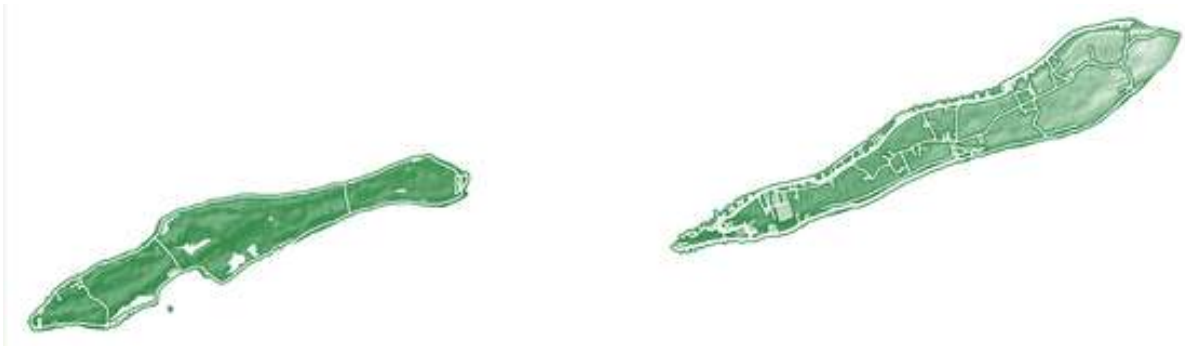
MINISTRY OF
FINANCE & ECONOMIC DEVELOPMENT
CAYMAN ISLANDS GOVERNMENT

Annual Report

31 December 2019



MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT
CAYMAN ISLANDS GOVERNMENT
GOVT. ADMIN. BLDG. BOX 131
133 ELGIN AVE.
GRAND CAYMAN KY1-9000

PHONE: 244-2205
FAX: 949-8650

WEBSITES:
www.mof.gov.ky
www.treasury.gov.ky
www.procure.gov.ky
www.eso.ky
www.caymanpost.gov.ky

Table of Contents

	Page
Purpose	3
Message from the Minister	7
Message from the Financial Secretary & Chief Officer	8
Our Structure & Key Personnel	11
Details On Our Staff	12
What We Do	14
Key Events	16
What We Achieved	22
Statement of Executive Financial Transactions	32
Overview of the Financial Statements	36
Financial Statements — Appendix A	37

This page was intentionally left blank.

CAYMAN ISLANDS
GOVERNMENT
ADMINISTRATION
133 ELGIN AVENUE

Purpose

This page was intentionally left blank.

Purpose

The Public Management and Finance Law requires an entity (a Ministry, Portfolio or Office) to prepare and Table in the Legislative Assembly, an Annual Report. Annual Reports should include: details of an entity's activities during the year; a statement reporting all executive financial transactions that the entity administered on behalf of Cabinet; and financial statements that compare the entity's actual performance with the performance specified in budget documents.

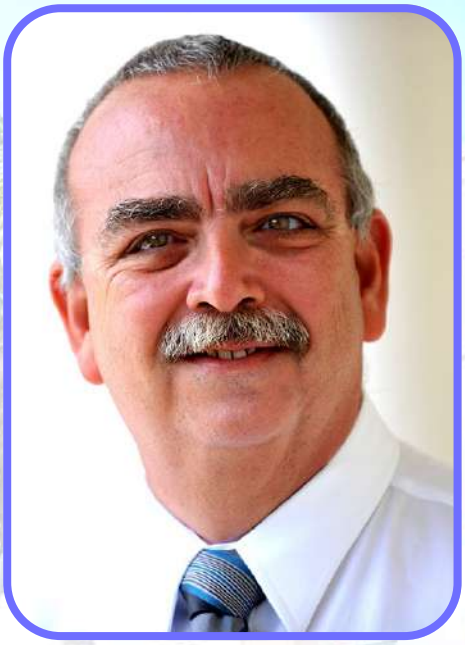
A useful and effective Annual Report, gives the reader a view of the performance of an entity and whether: it is doing well; and has used public resources wisely. An entity inspires confidence and trust when: it can clearly demonstrate that it knows its own business; it is consistently performing well; it uses public resources wisely; is transparent about any changes it needs to make; and it assesses what it can do better—an Annual Report provides information with respect to these areas.

This Annual Report, which is prepared by the Ministry of Finance and Economic Development (the "Ministry"), seeks to provide a clear, understandable and comprehensive review of the Ministry's activities, achievements and performance during the 12-month period from 1 January 2019 to 31 December 2019. The financial statements, which are included in this Annual Report and comply with International Public Sector Accounting Standards, detail the performance of the Ministry during the financial period noted above and, provide explanations for variances between actual and budgeted performance.

This page was intentionally left blank.

Message from the Minister

Message from the Financial Secretary & Chief Officer



Hon. Roy McTaggart, JP

Minister for Finance and Economic Development

Kenneth Jefferson, JP

Financial Secretary & Chief Officer

Message From The Minister

I am pleased to present the Annual Report for the Ministry of Finance & Economic Development for the financial year ended 31 December 2019.

The report highlights the achievements of the Ministry and demonstrates how the Government achieved its promises of maintaining sustainable economic growth and strong and transparent Government finances.

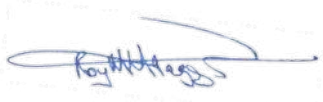
During the 2019 financial year, the Treasury Department continued to manage historically high levels of cash, even after repaying the US$312 million bullet bond that matured on 24 November 2019. The Treasury Department focused on improving efficiency and maximizing return on investments, by limiting the amount of cash lying idle in operating bank accounts and matching the maturity of investments to debt obligations as they became due. These strategies provide the Treasury Department with the flexibility to invest excess cash for higher rates of return and longer periods and to counter uncertainty in the interest rate market. These efforts together with Government's prudent spending policy resulted in the Government having CI$476 million invested in fixed deposits as at 31 December 2019.

Core Government's 2019 finances ended the year in a very healthy position where preliminary unaudited results show a net operating surplus of CI$131.8 million, CI$522.1 million in cash balances and CI$284.2 million in outstanding debt.

The Economic and Statistics Office (the "ESO") continued its important work to monitor the economy, develop economic policies and plans, and advise the Government on a range of economic issues in order to sustain growth in the Cayman Islands. The ESO forecast real GDP growth of 2.8 per cent in 2019. However, it is likely that actual growth will exceed this. Inflation increased to 5.7%, driven largely by increases in housing and utilities, whilst unemployment was forecast at 3.0% in 2019.

At the Postal Operations Council meeting in Berne, Switzerland, in April 2019, the Cayman Islands received a QSF Award for Outstanding Implementation of a project entitled 'Participation in the UPU Global Monitoring System period 2016 – 2018'. During 2019, the Postal Services released stamp issues celebrating the 50th anniversary of the moon landing and the customary Christmas issue, which depicted a cartoon-styled Santa, Rudolph and local animals playing musical instruments on the beach, in a catboat and on a wooden performance stage.

A hearty congratulations and sincere thanks to all the staff for their commitment, dedication and support in helping me to deliver the policies of the elected Government, and the Ministry in achieving its objectives. Much has been accomplished in 2019, but there is even more to do in 2020.



Hon Roy McTaggart, JP

Minister for Finance and Economic Development

28 February 2020

Message From The Financial Secretary & Chief Officer

The Ministry of Finance & Economic Development (the "Ministry"), had a very eventful but productive 2019.

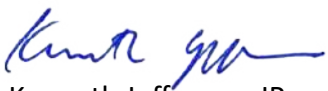
Very early in the year, 1 February 2019, the responsibility for the Customs Department was reassigned, from the Ministry, to the Ministry of Human Resources and Immigration – which has subsequently been renamed the Ministry of Employment & Border Control (Ministry of EBC). Reassigning the Customs Department from our Ministry to the Ministry of EBC was more in-keeping with a primary role of the Customs Department: border control. Since the Customs Department was significant to the Ministry, its reassignment on 1 February 2019, has resulted in significant revenue and expenditure variances (when actual revenues and expenditures for 2019 are compared to initial budgeted amounts), and the Ministry's financial statements document and, explain such variances.

From July to October 2019, the Ministry devoted significant resources to the formulation of Government's budgets for 2020 and 2021: this culminated in the presentation of those budgets to the Legislative Assembly on 8 November 2019 and, their subsequent approval on 5 December 2019.

The Honourable Minister for Finance carries out any borrowing required by Government. In November 2019, the Ministry actioned the tendering of Government's borrowing requirements and this concluded in the acceptance of very competitive terms for a CI$153 million loan which was fully drawn-down by 31 December 2019. This loan assisted in the Government's full repayment of a US$312 million "bullet bond" that matured in November 2019.

During 2019, the Ministry planned for the execution of another significant milestone for Government: the conduct of a National Census in October 2020.

To end, I wish to extend my sincerest thanks to all staff within the Ministry for their invaluable role in achieving a successful 2019.



Kenneth Jefferson, JP

Financial Secretary & Chief Officer

28 February 2020

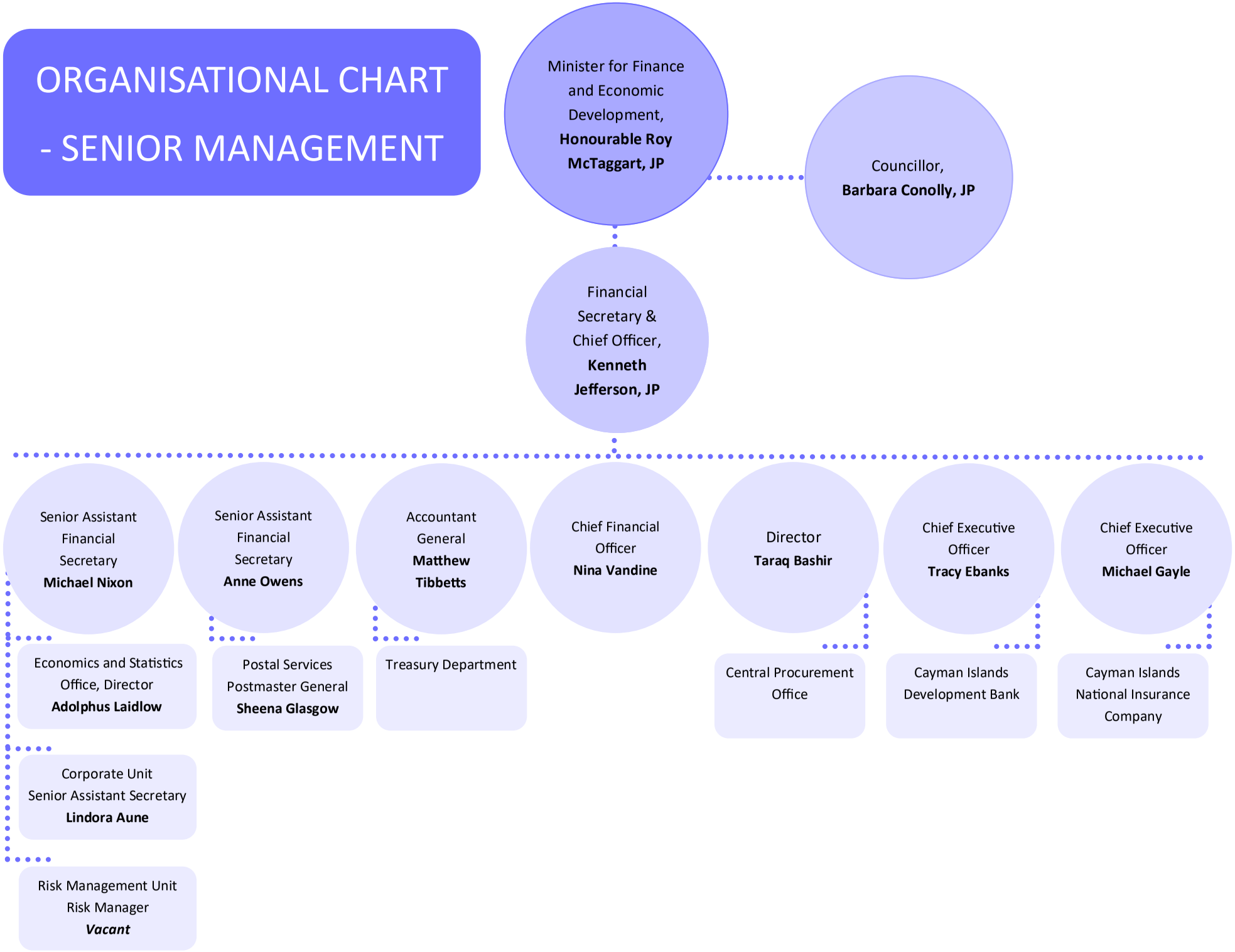
Our Structure & Key Personnel

Details On Our Staff

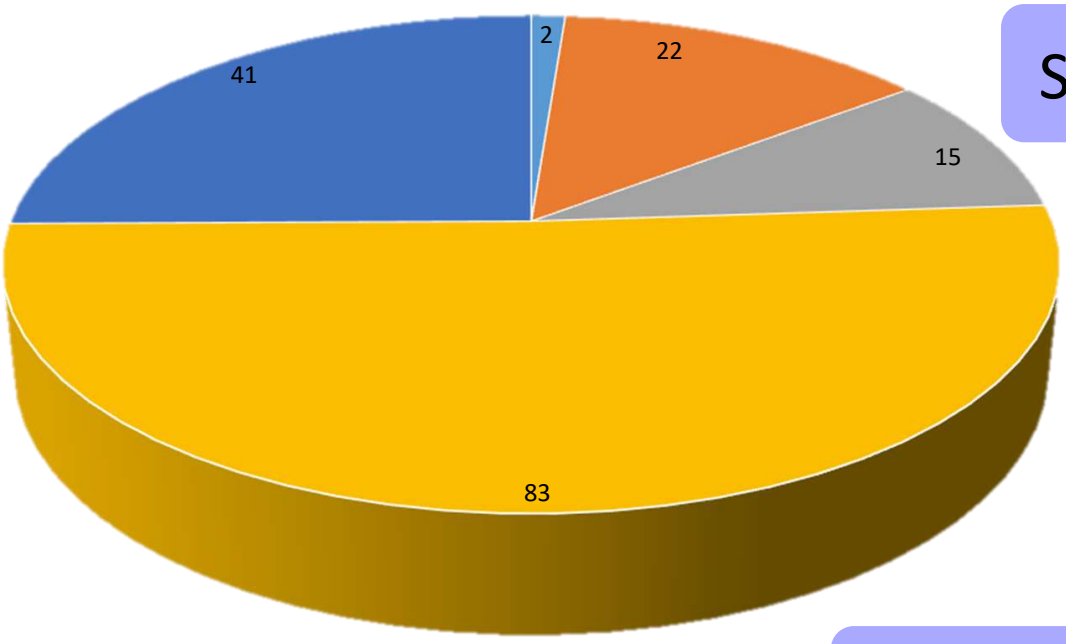
What We Do

This page was intentionally left blank.

ORGANISATIONAL CHART - SENIOR MANAGEMENT

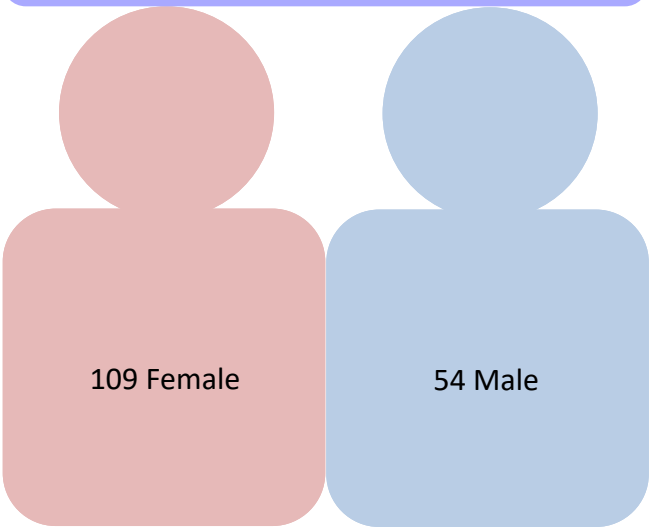


Details On Our Staff



Staff Numbers

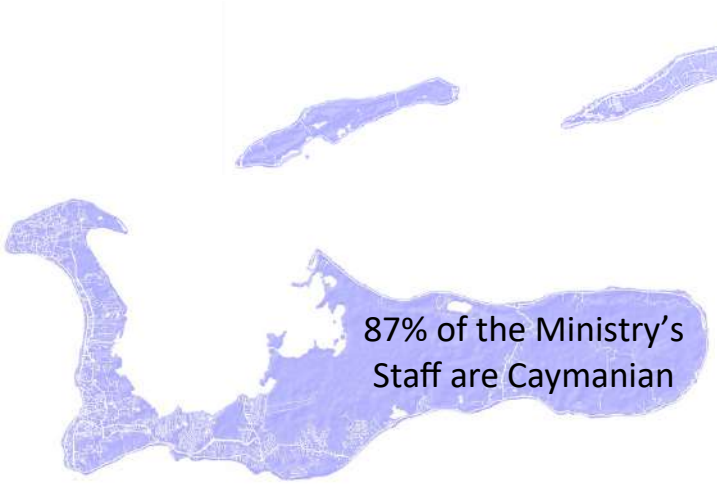
Gender Diversity



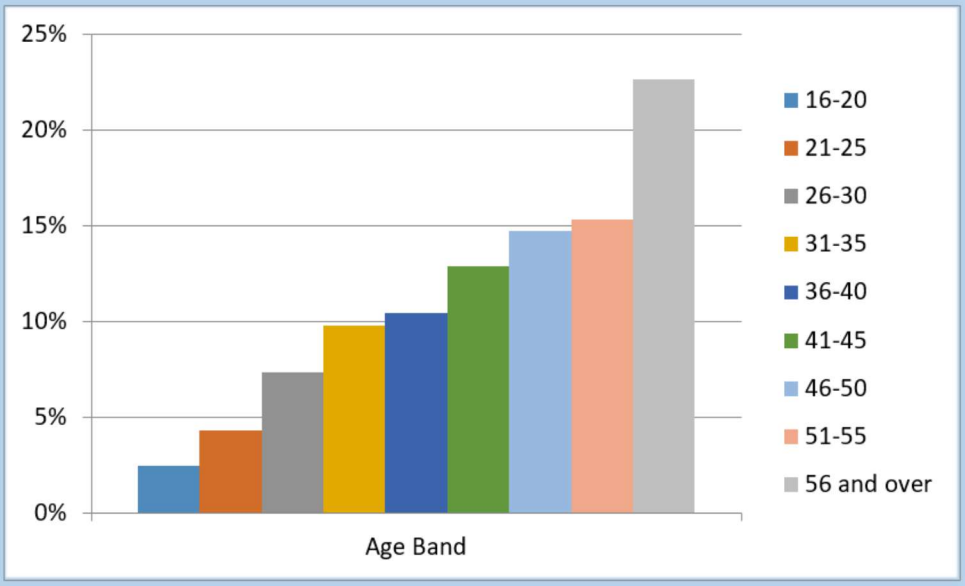
"Approximately 67% of the staff in the Ministry are women"

SHARMENE BUSH, HR MANAGER

Senior Management Team (Missing from Photo: Sheena Glasgow)



Nationality	Total
Caymanian	142
Jamaican	10
British	3
American	1
Barbadian	1
Canadian	1
Dominican (Dominica)	1
Guyanese	1
Pakistani	1
Trinidadian	1
Vincentian	1
Total	**163**



The majority of the Ministry's staff are 41 years and older: indicating mature and experienced personnel

What We Do

Finance Administration

Provides policy advice, governance and administrative services on all financial, budgeting and reporting matters of the Government.

Processes applications for fees and customs duty waivers, stamp duty abatements and assessments, Government loans to civil servants.

Provides administrative support to and monitors the performance of, Offices/Departments under the Ministry.

Monitors the Risk Management Unit which develops, implements and coordinates comprehensive property and liability insurance programmes along with safety and loss control activities to minimize the negative financial impact of natural hazards, accidents and other unexpected events to the Government.

Provides oversight of the Cayman Islands National Insurance Company and the Public Procurement Committee (PPC).

Treasury Department

Responsible for the preparation and consolidation of forecast and annual financial statements for Central Government and the Entire Public Sector as required by the Public Management and Finance Law, using International Public Sector Accounting Standards.

Responsible for the design, quality assurance and management of the budget and reporting processes for the Entire Public Sector – this includes coordinating and preparing bi-annual budget timeline, strategic policy statement, plan and estimates, budget statements, ownership and purchase agreements and revenue forecasts. Provides financial management services to Ministries/Portfolios/Offices and the Cabinet.

Oversight of the management and forecasting of Central Government cash flows, negotiation, evaluation and administration of Central Government borrowings.

Central Procurement Office

The Central Procurement Office (CPO) provides the Government with procurement expertise, training and guidance. The CPO enhances procurement capacity and capability with standards, tools and templates in order to achieve value for money across all Ministries and Statutory Authorities and Government Companies in the Cayman Islands.

Expenditure that is influenced by public procurement principle, laws and regulations amounted to $359 million in 2019.

Economics and Statistics Office

Monitors the economy and provides macroeconomic forecasts, conducts economic policy research and economic impact studies, and advises the Government on a range of macroeconomic issues to sustain growth in the Islands.

Conducts and analyses social and economic surveys and compiles and publishes comprehensive statistical data on the Cayman Islands.

Provides other Government agencies with technical advice on data collection and dissemination, and survey design and methodology.

Postal Services

The Cayman Islands Postal Service (the "CIPS") is the government department designated as the postal operator responsible for fulfilling the Government's obligations arising from adherence to the Universal Postal Union Convention in the Cayman Islands. As the designated postal operator, the CIPS is charged with ensuring that postal services are accessible to all citizens, residents and visitors in the territory and operates a network of 16 post offices across all three Islands. It is also part of a network of over 700,000 postal outlets worldwide.

HELL
POSTAL AGENCY

Key Events

January 2019

- Issuance of the Policy for the Payment of Annual Dividends by Statutory Authorities and Government Companies.
- Member of mission team for Operational Readiness for e-Commerce ("ORE") project review in Jamaica.
- Customs Department transferred to the Ministry of Employment and Border Control

February 2019

- The business case templates for reviewing procurement project options and recommendations approved.

March 2019

- The Cayman Islands were invited to present during the 20th Anniversary celebration of the EMS Cooperative on 27 March 2019; we were invited to present as one of the Cooperative's "Lifetime Success Stories" for the EMS product. Cayman was the only small country asked to present; other presentations were from Brazil and China. "EMS" is the postal industry's courier product.

April 2019

- During the Postal Operations Council meeting in Berne, Switzerland, the Cayman Islands received a Quality of Service Fund Award for "Outstanding Implementation of project entitled 'Participation in the UPU Global Monitoring System (GMS) period 2016 – 2018'".
- Member of mission team for ORE project review in St. Lucia.
- 2020 Strategic Policy Statement Tabled in the Legislative Assembly.
- Recruitment of Senior Budget Analyst.
- After 13 years of dedicated service, Ms. Maria Zingapan retired as Director of ESO effective 30 April 2019.

"The Ministry responded to nine Freedom of Information requests between 1 January 2019 and 31 December 2019".

ASENATH BLAKE,

DEPUTY INFORMATION MANAGER

May 2019

- Minister McTaggart delivers the Keynote Address at CIIPA's Cayman Islands Business Environment Update.
- Delivery of training to senior civil servants on governance frameworks on Internal Controls, Risk Management, Performance Reporting and Public Private Partnerships and Alternative Financing Initiatives.
- Represented Cayman at the 2019 Caribbean EMS Symposium and Electronic Advance Data Workshop in Barbados.
- Gazettal of 2019 First Quarter Financial Report.
- Chase Miller is Chief Officer's Choice.
- The Consumer Price Index Report presenting the 2018 inflation rate (3.3%), released.
- The Labour Force Survey Fall 2018 Report, presenting the population as of end 2018 (65,813), labour force (46,178 persons) and unemployment rate (2.8%), was released.
- Procurement Manager, Mr. Robert Tatum, joins the Central Procurement Office.

June 2019

- Minister McTaggart delivers the Keynote Address at the Chamber of Commerce's Cayman Islands Economic Forum.
- Represented Cayman at the United Postal Union's (UPU) regional (Caribbean) strategy on the development of the UPU's future strategy for 2021–2024, the CPU's annual conference and Council of Minister's meeting in Havana, Cuba.
- Recruitment of Budget & Reporting Analyst.
- Occupational Wage Survey Report 2017, presenting the average wage and benefits for 19,215 employees. Highlights included average basic earnings ($47,748), average total compensation ($54,600). In addition, compensation by sex, status, economic sectors and occupations are included in the report.

Participants at the Terminal Dues and Cost Accounting Training workshop in Grand Cayman, August 2019.

July 2019

- Member of mission team for ORE project review in Antigua & Barbuda.
- Treasury commenced the introduction and implementation of the online payment platform via the Automated Clearing House in collaboration with RBC Royal Bank (Cayman) Limited and government agencies.
- Five training sessions delivered in electronic procurement using the CIG system 'Bonfire' to 116 participants.
- Mr. Adolphus Laidlow appointed Director, ESO, effective 1 July 2019

August 2019

- Release of the Internal Controls and Risk Management Governance Frameworks to the wider Civil Service.
- Terminal Dues and Cost Accounting Workshop was jointly hosted by the CIPS and the Royal Mail Group in Grand Cayman. Workshop was organised for regional postal operators to gain expertise in complex postal accounting systems. Participants were Postmasters General or deputies and assistants or senior postal financial officers from Anguilla, Bermuda, British Virgin Islands, Guyana, Jamaica, Montserrat, Trinidad and Tobago, and Turks and Caicos Islands, in addition to officers from the CIPS.
- Gazettal of 2019 Second Quarter Financial Report.
- Public Procurement Committee (PPC) meeting minutes published on the CIG procurement website.

September 2019

- Represented Cayman at the 3rd Extraordinary Congress of the Universal Postal Union which focused on compensation for the delivery of small packets. As a result of decisions at the Congress, the United States of America decided to remain a member of the Universal Postal Union.
- Treasury secured approval for the business case put forward to support the borrowing of CI$153 million via a traditional bank loan and issued the Request for Proposal for the financing.
- The First Quarter Consumer Price Index Report presenting the 2019 inflation rate (4.5%), released.
- CIG Procurement Manual published online.
- Procurement and tender development training delivered to colleagues from the Royal Cayman Islands Police service.

October 2019

- Presented at the Global EMS Workshop and represented Cayman at the Postal Operations Council in Berne, Switzerland.
- Tender development training delivered to colleagues across the Government in Grand Cayman and Cayman Brac.
- Code of Conduct for Procurement published in the Cayman Gazette.

December 2019

- 13 December – Release of "50th Anniversary of Moon Landing" stamp issue.
- The CIPS closed 2019 with a GMS result (letter mail) of 97.5%, exceeding the performance target of 95% on-time delivery.
- Government accessed the CI$153 million loan facility and withdrew the proceeds of the facility.
- The Second Quarter Consumer Price Index Report presenting the 2019 inflation rate (3.4%), released.
- Three Tender Development training sessions delivered to Health Services Authority.
- The CPO passed the Chartered Institute of Procurement & Supply's requirements for Corporate Ethical Procurement.

November 2019

- Minister Tabled the 2020–2021 Budget Tabled in the Legislative Assembly and delivered the Budget Address.
- Minister McTaggart delivers the Keynote Address at the AICPA and CIIPA 3rd Annual Summit: Economic and Financial Update.
- Delivery of training to Risk Leaders on the Risk Management governance framework.
- 15 November – Release of "Christmas 2019" stamp issue.
- Participated in an expert panel on the topic of "Digitization of the Post" held in Xiamen, China.
- Government awarded Butterfield Bank (Cayman) Limited the CI$153 million contract and the loan agreement executed.
- Gazettal of 2019 Third Quarter Financial Report.
- Facilitated Second Annual IPSAS Technical Update for Public Sector.
- The Labour Force Survey Spring 2019 Report, presenting the population as of mid-year 2019 (68,076), labour force (47,622 persons) and unemployment rate (3.0%), was released.
- Tender development training delivered to Port Authority.
- Procurement and tender development training delivered to Public Works.

This page was intentionally left blank.

What We Achieved

What We Achieved

During the financial period, 1 January 2019 to 31 December 2019, the Ministry achieved the following:

Finance Administration

Prepared Cabinet Papers and Cabinet Notes – Overall, the Ministry prepared 83 Cabinet Papers and Cabinet Notes for the consideration, notation and/or approval of Caucus and the Cabinet. The Ministry also provided comments on 124 Cabinet Papers written by other Ministries/Portfolios/Offices which contained recommendations with financial or economic implications for the Government.

Attended Meetings of Committees and Boards – Staff from the overall Ministry are ex-officio members of 14 Boards of Directors (for Statutory Authorities and Government Companies) and Committees and Boards of the Government. These Boards and Committees are:

PUBLIC ENTITY	NAME & TITLE
Auditors Oversight Authority	Kenneth Jefferson Financial Secretary & Chief Officer
Cayman Airways Limited	Kenneth Jefferson Financial Secretary & Chief Officer
Cayman Islands Monetary Authority – Currency Board duties only	Randy Myles Deputy Manager of Entire Public Sector Reporting
Cayman Islands National Insurance Company Ltd	Anne Owens Senior Assistant Financial Secretary
Cayman Islands Stock Exchange	Kenneth Jefferson Financial Secretary & Chief Officer
Cayman Turtle Conservation and Education Centre Limited	Michael Nixon Senior Assistant Financial Secretary
Public Procurement Committee	Lee Ramoon Director of Revenue Unit
Health Services Authority	André Scott Manager of Entire Public Sector Reporting
National Housing Development Trust	Nathania Pearson Manager, Treasury's Debt Recovery Unit
Port Authority of the Cayman Islands	Michael Nixon Senior Assistant Financial Secretary
Public Service Pensions Board	Kenneth Jefferson Financial Secretary & Chief Officer
Public Transport Appeals Tribunal	Lee Ramoon Director of Revenue Unit
University College of the Cayman Islands	Matthew Tibbetts Accountant General
The Water Authority of the Cayman Islands	Anne Owens Senior Assistant Financial Secretary

Provided Internship Opportunities – The Ministry participated in the Government's summer internship programme which provides training and internship opportunities for students enrolled in high school and university. Overall, the Ministry employed 13 students in the Summer of 2019.

Training on Governance Frameworks - 13-15 May 2019

Processed Applications for Personal and Settlement Loans – The Ministry processed 81 applications for personal and settlement loans.

Processed and Managed the Health Insurance Benefit for Seafarers and Veterans – The Ministry processed and managed the health insurance benefit for 1,069 Seafarers and Veterans.

Amended the Public Management and Finance Law – The Ministry made the following amendments to the Law:

a) appropriations to lapse at the end of each two (2) year budget period (as opposed to the end of each financial year);

b) the extension of the deadline of the submission of the Government Annual Report to the Office of the Auditor General from 30 April to 31 May; and

c) the date for the presentation of Supplementary Appropriation Bills to the Legislative Assembly for approval, to be moved to 31 March of the year following the financial year to which the supplementary expenditures relate

Replied to Freedom of Information (FOI) Requests Finance Administration responded to six requests under the FOI Law.

Complied with Legislation – The Ministry's activities during the financial period were governed under the following Legislation:

- Public Management and Finance Law (2019 Revision);
- Financial Regulations (2018 Revision);
- Statistics Law (2016 Revision);
- The Freedom of Information Law (2018 Revision);
- The Development Bank Law (2004 Revision);
- The Postal Law (1997 Revision);
- The Postal Regulations (2007 Revision);
- The Procurement Law, 2016; and
- The Procurement Regulations, 2018.

Processed Requests for Waivers of Stamp and Import Duties – The Ministry processed 831 requests for the waiver of stamp and import duties:

Type of Application	Number	Amount of Waiver CI$
Stamp Duty Waivers for First-Time Caymanian Property Buyers	301	4,637,537.11
Cayman Brac Stamp Duty Waivers	14	74,640.00
Waiver of Import Duty	447	1,252,123.35
Refund of Import Duty	10	43,730.23
Stamp Duty Waivers under the Discretion of the Minister of Finance and Economic Development	59	1,506,345.20
TOTAL	**831**	**7,514,375.89**

IPSAS Training — 21 November 2019

Treasury Department

Generated Incremental Revenue – The Ministry generated approximately CI$18 million in incremental revenue from operating investments in 2019, an increase of CI$6 million or 52% over 2018 unaudited amounts.

Repaid Government's US$312 million 5.95% Notes Due November 2019 – The Ministry spearheaded and coordinated the settlement of Government's US$312 (CI$ 261.3) million Notes from proceeds set a side and invested in short-term instruments to match the maturity of the debt on 24 November 2019.

Executed a Loan Facility With Favorable Terms and Within Budget – The Ministry secured a CI$153 million 15–year amortised loan facility at a 3.25% interest rate per year, with fixed equal monthly payments of principal plus interest, inclusive of early repayment options commencing after 5 years of the initial drawdown.

Processed Applications for Personal, Settlement, Civil Service (81 loans) and Overseas Medical Loans (48 loans) – The Ministry processed an aggregate of 129 loan applications during 2019.

Provided Internship Opportunities – The Ministry participated in the Government's summer internship programme which provides training and internship opportunities for students enrolled in high school and university. Seven students were employed by the Treasury department during the Summer and Fall of 2019.

Management of Cash and Investments – Cash Management Unit continues to manage historical high levels of cash even after repaying Government's 2009 Notes on 24 November 2019. The Treasury's primary focus is improving efficiency and maximizing return on investments, by limiting the amount of cash lying idle in operating bank accounts and matching the maturity of investments to debt obligations as they fall due. These strategies provide Treasury the flexibility to invest excess cash for higher rates of return and longer periods, to counter uncertainty in the interest rate market. These efforts together with Government's prudent spending policy resulted in Government having CI$476 million invested in fixed deposits as at 31 December 2019. This translated in CI$52 million more than the amount held on deposit as at 31 December 2018, which stood at approximately CI$424 million, and CI$242 million more than the original budget for cash and cash equivalents of CI$234 million.

While interest rates have been on a downward trajectory since 2019, the efforts and active management of cash by the Cash Management Unit of Treasury Department, the Cayman Islands Government has earned CI$18 million in interest revenue, which was CI$14 million more than the original budget of CI$4 million.

Management of Loans and Debts – The Treasury Department managed 141 loans with a value of CI$278,706 and 2,218 debts with a gross value of CI$16 million as at 31 December 2019.

2020 Strategic Policy Statement – The Budget and Management Unit compiled the 2020 Strategic Policy Statement (SPS) which was tabled in the Legislative Assembly on 12 April 2019. The 2020 SPS provides medium term economic and financial forecasts for the Government for the three–year period 1 January 2020 to 31 December 2022 as well as outlines the Government's Broad Strategic Outcomes which guides the development and implementation of Government Policy during this period.

2020–2021 Budget – The 2020–2021 Budget, which covers the period 1 January 2020 to 31 December 2021, was Tabled in the Legislative Assembly on 8 November 2019 and includes over CI$1.6 billion in revenue, CI$1.5 billion in operating expenditure and CI$304.0 million in capital investments over the two-year period.

Recruitment and Training – The Treasury Department filled two new posts, Senior Budget Analyst and Budget & Reporting Analyst, which were both key in the successful delivery of the 2020–2021 Budget. Additional training was provided to Treasury technical staff utilising training on demand offered by Oracle University

Chase Miller — Chief Officer's Choice May 2019 Award Ceremony

conveniently accessed from their own desks. Staff completed various courses to improve support offered to users of the Government's centralised accounting information system (IRIS).

Chief Officer's Choice – Chase Miller, Budget & Reporting Analyst, was named Chief Officer's Choice for May 2019 for his passion and eagerness for improving templates and guiding clients through the budgeting process.

Other Information

The Treasury Department did not receive any Freedom of Information requests in 2019.

Phil Senior of the IRIS Unit accessing online training

Central Procurement Office

3,300 vendors are now registered on the electronic procurement portal (Bonfire).

Over 550 public servants are registered as users of the electronic procurement portal.

338 procurement projects were created and publicly advertised in 2019 on the CIG electronic procurement portal.

The PPC considered 100 procurement projects, each valued at over $250,000 during 2019.

Economics and Statistics Office

Preparatory work for the Cayman Islands' 2020 Census of Population and Housing ("Census 2020")

In accordance with international recommendations, the Office continued with the planning and preparatory activities for Census 2020 as approved by the Cabinet in August 2018. Census enumeration area maps were started and completed in 2019. Census 2020 will be administered using a customized questionnaire on Tablets; for this purpose, the software questionnaire was completed and tested in a pilot census in October 2019. The Census 2020 questionnaire will cover demographics characteristics; disability and health insurance; school attendance; highest grade completed and examination passed; union status; fertility, employment; housing; mortality; emigration; crime; and environment resources and food security. Tablets for use in the Census 2020 was procured and completed in accordance with the Procurement Regulations, 2018. The Census publicity plan was completed and some publication materials were procured in 2019.

Economic Monitoring

In compliance with the economic monitoring requirements of the Public Management and Finance Law (PMFL), ESO completed the surveys that provided the raw data for estimating the Islands' Gross Domestic Product (the System of National Accounts Surveys, 2018), Consumer Price Index inflation rate (Consumer Price Index Quarterly Surveys Q1 2019 to Q4 2019), employment and unemployment rate (Labour Force Surveys, Spring 2019 and Fall 2019) and the current account of the balance of payments (the Balance of Payments Survey, 2018). These surveys also provide the data for updating the forecasts for the Islands.

Upgrading of the System of National Accounts (SNA)

Cayman's first series of annual GDP estimates

adjusted for inflation (or GDP in real terms) are based on 2007 prices. In 2016-2018, a project to re-base the GDP series using 2015 prices was undertaken. Other changes were introduced during this period: (a) methodological changes due to the transition to new estimation standards (SNA 2008 from SNA 1993); and (b) the introduction of the third approach for estimating GDP which is by expenditure. This series was further developed in 2019 with the addition of both the nominal as well as the inflation-adjusted (i.e. GDP in real terms) data for 2016-2018. There was also further methodological improvement in the industry. This refinement in methodology better aligns the Cayman SNA with international best practice and the global SNA 2008 recommendation.

Updating of Economic Forecast

In 2019, ESO continued to improve forecasts by updating forecasting models required in the preparation of the SPS, Economic Overview. The forecasts comprised of (a) GDP; (b) consumer price index inflation rate; (c) employment levels and unemployment rates; and (d) the current account of the balance of payments. The forecasts were also used for discussions with credit rating agencies, presentations to the private sector, and in economic impact studies. The forecasts took into account the updated reports of the International Monetary Fund (IMF), particularly with regard to their assessment on the economic performance and outlook of the United States, the rest of the Advanced Economies and the global economy in general.

Provision of Technical Assistance

Twenty-two (22) technical assistance requests were completed by the ESO in 2019, comprising mainly of advice on economic and statistical matters to other departments, ministries, committees and regional statistical offices. ESO designed feedback Survey on behalf of the Royal Cayman Islands Police Service (RCIPS), conducted that Survey and transferred the survey results.

Postal Services

During 2019, the Cayman Islands Postal Service (CIPS) began receiving recognition at Universal Postal Union (UPU) levels as a small country that, despite its size and population, has driven improvements in its mail operations over recent years.

Melissa Martinez-Ebanks, Deputy Postmaster General Operations & Human Resources (seated fourth from right) participating on the expert panel on the topic of "Digitization of the Post in Xiamen, China".

Cayman's Postal Service received a QSF award for "Outstanding Implementation of project entitled 'Participation in the UPU Global Monitoring System (GMS) period 2016–2018'".

Cayman was also invited to make several presentations at international gatherings:

- During the EMS 20th Anniversary celebrations as one of the cooperative's "Lifetime Success Stories" for the EMS product. Cayman was the only small country that presented.
- The above presentation was also repeated at Global EMS Workshop in Berne, Switzerland later in 2019.
- Presented as a member of an expert panel on the topic of "Digitization of the Post in Xiamen, China.

The Deputy Postmaster General, Operations & Human Resources was asked to participate in three review missions to assess postal operations under the ORE project in Jamaica, St. Lucia and Antigua.

The CIPS was approached by the UPU IT developers in late 2019 to carry out the first round of user testing of its Customs Declaration System App. A group of CIPS staff tested the App and provided feedback, which was incorporated into changes. In 2020, Cayman will also be the administration to test the updated App with its customers, which will be another way for customers to prepare electronic declarations.

During 2019, the CIPS received an increasing volume of small packets containing merchandise which were not properly addressed for delivery within the Cayman Islands. However, using SMS messages, the CIPS improved the number of small packets delivered by almost 15%. The number of items that could not be delivered was decreased from 15.6% in February 2019 to 0.8% in December 2019.

The CIPS continued to excel in its performance under GMS. The CIPS ended 2019 with a GMS average of 97.5% on-time delivery against a target of 95%.

Training

The primary training focus during 2019 was for required staff to obtain certificates in the UPU's TrainPost course "Dangerous Goods and Lithium Batteries"; by the end of 2019, 100% of required staff had earned their certification.

The Quality Manager attended the American Quality Society's "*Introduction to Quality Management"* Course as preparation for future certification. Eight CIPS managers and officers participated in the Terminal Dues and Cost Accounting Workshop which was hosted on Grand Cayman and led by a Royal Mail topic expert; they were joined by counterparts from five British Overseas Territories and three Caribbean countries.

The Deputy PMG Operations & Human Resources also conducted training sessions for other regional postal administrations on the use of CDS prior to a critical USPS deadline of 1 July 2019 for the transmission of electronic advance data.

The Ombudsman Office conducted data protection training for seven key CIPS personnel prior to the Data Protection Law coming into force in September 2019.

MAIL STATISTICS

Years	Domestic	Inward	Outward	Grand Total
2018	4,636,610	1,498,589	71,985	6,207,184
2019	5,186,995	1,589,325	50,851	6,827,171
Totals	**9,823,605**	**3,087,914**	**122,836**	**13,034,355**

Mail statistics for 2019 show a modest increase in mail volumes compared to 2018 volumes.

Receiving the QSF Award from Mr. Abdelnaby Hamdi of Egypt Post and Chairman of QSF Board are Melissa Martinez-Ebanks Deputy Postmaster General, Operations & Human Resources and Sheena Glasgow, Postmaster General.

The Cayman Islands is a member of the Universal Postal Union through Great Britain and is a member of the Caribbean Postal Union and EWMS Cooperative in its own right.

Core postal services are domestic and international in scope and encompass ordinary letter mail including mail with certified posting, registered mail, prepaid postage (franking meters and online meters), parcels, re-direction of mail, safe mail as well as the postal industry's courier service – Express Mail Service (EMS).

The CIPS participates in the Global Monitoring System ("GMS") which is a UPU test system to measure delivery quality. GMS uses a network of panelists to send and receive test letters. The test letters contain a small label which has a tiny antenna that transmits a unique identification number as a radio signal. This radio frequency identification (RFID) system allows test letters to move through the postal network disguised as ordinary letters and the data is captured by the special receiving antennas at the door of processing centers. This gives the post office data on how fast mail is moving, and where process improvements need to be made. The CIPS joined GMS in 2012 and began testing in late 2013.

Christmas 2019 Stamp Set

This page was intentionally left blank.

Statement of Executive Financial Transactions

Overview of the Financial Statements

Statement of Executive Financial Transactions

"Entity Financial Transactions" are the financial transactions that a Ministry, Portfolio or Office carry-out when conducting its business or delivering its outputs.

The entity financial transactions include entity revenue, entity expenses, entity liabilities and entity assets. Entity expenses include salaries, pension, electricity and software licensing fees amongst other costs. Entity assets are assets used for the delivery of a Ministry's, Portfolio's or Office's Outputs and include furniture, motor vehicles, warehouses and computers. Entity liabilities incurred by a Ministry, Portfolio or Office include accounts payable, pension obligations and comp time. The revenue that a Ministry, Portfolio or Office receives, primarily from the Cabinet, to deliver its Outputs, is known as entity revenue which is used to pay for entity expenses, entity assets and entity liabilities.

"Executive Financial Transactions", on the other hand, are the financial transactions that do not relate to the operations of a Ministry, Portfolio or Office but to the executive revenue, executive expenses, executive liabilities and executive assets of the Cabinet.

Executive revenue is for the benefit of Cabinet's use and includes import duty, motor vehicle duty, garbage fees and work permit fees amongst many other revenue descriptions. The Cabinet uses the executive revenue to pay for its executive expenses such as Outputs delivered by Ministries, Portfolios and Offices, scholarships, Needs Assessment support and finance costs amongst many other such costs. The executive liabilities of the Cabinet include the unfunded pension liability for civil servants and, Borrowings.

The following Statement of Executive Financial Transactions sets out the executive revenue that the Ministry of Finance collected on behalf of the Cabinet and the Cabinet's executive expenses that are related to the Ministry of Finance.

Statement of Executive Financial Transactions for the year ended 31 December 2019				
Executive Revenue	**Un-audited Actual $'000**	**Budget $'000**	**Revised Budget $'000**	**Un-audited Actual vs Budget Variance $'000**
Motor Vehicle Duty	1,583	14,031	14,031	(12,448)
Gasoline & Diesel Duty	1,189	12,587	12,587	(11,398)
Alcoholic Beverages Duty	1,748	19,181	19,181	(17,433)
Tobacco Products Duty	650	8,046	8,046	(7,396)
Other Import Duty	10,566	100,671	100,671	(90,105)
Cruise Ship Departure Tax	10,986	10,216	10,216	770
Environment Protection Fund Fees	6,501	5,977	5,977	524
Motor Vehicle Environmental Tax	277	854	854	(577)
Bank Charges Reimbursable	3	-	-	3
Debit Transaction Fees	3,578	3,467	3,467	111
Package Charges	97	1,246	1,246	(1,149)
Land Holding Companies Share Transfer Charge	1,053	296	296	757
Other Stamp Duty	2,265	1,350	1,350	915
Stamp Duty - Online	521	325	325	196
Property Insurance Stamp Duty	1,589	1,094	1,094	495
Customs Fines	0	2	2	(2)
Compounded Penalties	2	41	41	(39)
Procedural Fines	2	53	53	(51)
Proceeds of Liquidated Entities	3,299	3,700	3,700	(400)
Total Executive Revenue	**$ 45,909**	**$ 183,137**	**$ 183,137**	**$ (137,228)**

Executive Expenses	**Un-audited Actual $'000**	**Budget $'000**	**Revised Budget $'000**	**Un-audited Actual vs Budget Variance $'000**
FED 1 - Policy Advice and Ministerial Services	2,096	2,590	2,366	494
FED 2 - Governance and Administrative Services	117	355	189	238
FED 3 - Collection of Coercive Revenue	267	1,690	267	1,423
FED 4 - Preparation and Publication of Statistical Reports	1,818	1,963	1,963	146
FED 5 - Financial Reporting and Management Services	4,456	4,400	4,480	(55)
FED 6 - Processing of Passengers and Inspection of Aircrafts, Vessels and Cargo	645	7,740	645	7,095
FED 7 - Detection, Interdiction and Prosecution of Customs Offences	216	2,594	216	2,377
FED 9 - Administration and Processing of Applications	285	288	288	3
FED 10 - National Mail Service	2,425	2,510	2,610	85
FED 11 - Monitoring and Reporting on the Economy	167	197	197	30
CIN 1 - Health Insurance for Seamen and Veterans for Primary and Secondary Health Care	12,199	11,064	12,344	(1,135)
OE 9 - Caribbean Economic Community (CARICOM) Fees	160	162	162	2
OE 10 - Caribbean Regional Technical Assistance Centre (CARTAC) Contribution	84	85	85	1
OE 27 - Past Service Pension Liability Payment	17,397	11,140	15,140	(6,257)
OE 54 - Caribbean Catastrophe Risk Insurance Facility - Annual Premium	821	840	840	19
OE 57 - Executive Bank Charges	3	5	5	2
OE 110 - General Insurance	4,155	4,001	4,501	(154)
OE 121 - Additional Normal Costs for Pension Plans	2,998	-	3,551	(2,998)
DVB 1 - Administration of Lending for Human Resource Development	139	139	139	-
DVB 2 - Administration of Lending for Micro and Small Businesses Development	156	156	156	-
DVB 3 - Administration of Lending for Mortgage Lending	231	231	231	-
EI 4 - Cayman Islands Development Bank	4,500	4,500	4,500	-
EI 31 - Cayman Islands National Insurance Company	3,000	-	3,000	(3,000)
EI 70 - Ministry of Finance and Economic Development	732	400	951	(332)
Total Executive Expenses	**$ 59,065**	**$ 57,050**	**$ 58,827**	**$ (2,015)**

Explanation of Major Variances Against Budget

Explanations for major variances for the Ministry's performance against the original budget are as follows:

Executive Revenue

Motor Vehicle Duty
Motor Vehicle Duty was under budget by $12.4 million due to the Customs Department moving to another Ministry.

Gasoline & Diesel Duty
Gasoline & Diesel Duty was under budget by $11.4 million due to the Customs Department moving to another Ministry.

Alcoholic Beverages Duty
Alcoholic Beverages Duty was under budget by $17.4 million due to the Customs Department moving to another Ministry.

Tobacco Products Duty
Tobacco Products Duty was under budget by $7.4 million due to the Customs Department moving to another Ministry.

Other Import Duty
Other Import Duty was under budget by $90.1 million due to the Customs Department moving to another Ministry.

Motor Vehicle Environmental Tax
Motor Vehicle Environmental Tax was under budget by $577 thousand due to the Customs Department moving to another Ministry.

Package Charges
Packages Charges was under budget by $1.1 million due to the Customs Department moving to another Ministry.

Land Holding Companies Share Transfer Charge
Land Holding Companies Share Transfer Charge was over budget by $757 thousand due to an increase in the number of transfers over the year; each transaction varies significantly and is unpredictable from year to year.

Other Stamp Duty
Other Stamp Duty was over budget by $915 thousand due to a very active land sales and transfers market and a strong economy.

Stamp Duty – Online
Stamp Duty Online was over budget by $196 thousand due to increase in demand from businesses to top up their online meters as the supplier exited the Caribbean market Dec 31, 2019.

Property Insurance Stamp Duty
Property Insurance Stamp Duty was over budget by $495 thousand due to an active real estate market for the period.

Executive Expenditure

FED 1 – Policy Advice and Ministerial Services – was under budget by $494 thousand due to the Customs Department moving to another Ministry and vacancies not filled for the Risk Management Unit and Central Procurement Unit.

FED 2 – Governance & Administrative Services – was under budget by $238 thousand due to the Customs Department moving to another Ministry.

FED 3 – Collection of Coercive Revenue – was under budget by $1.4 million due to the Customs Department moving to another Ministry and vacancies not filled.

FED 6 – Processing of Passengers and Inspection of Aircrafts, Vessels and Cargo – was under budget by $7.1 million due to the Customs Department moving to another Ministry.

FED 7 – Detection, Interdiction and Processing of Customs Offenses – was under budget by $2.4 million due to the Customs Department moving to another Ministry.

CIN 1 – Health Insurance for Seamen and Veterans for Primary and Secondary Health Care – was over budget by $1.1 million due the number of seaman and veterans seeking coverage was more than expected.

OE 27 – Past Service Pension Liability Payment – was over budget by $6.3 million due to change in contribution rates for defined benefit pension plan.

OE 121 – Additional Normal Costs for Pension Plans – expenditure was approved in CP 826/19 on 12 March 2019.

EI 31 – Cayman Islands National Insurance Company (CINICO) – expenditure was approved in CP 826/19 on 12 March 2019 to cover prescribed capital requirements. As a Class A insurer, CINICO is required by the Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 and by the Cayman Islands Monetary Authority ("CIMA") to maintain a certain Prescribed Capital Requirement in order to meet its insurance business commitments and adequately manage its risks.

EI 70 – Ministry of Finance and Economic Development – was over budget, additional funding was approved to move forward with a point of sales system for all Post Office locations.

50th Anniversary of the Moon Landing Stamp Set

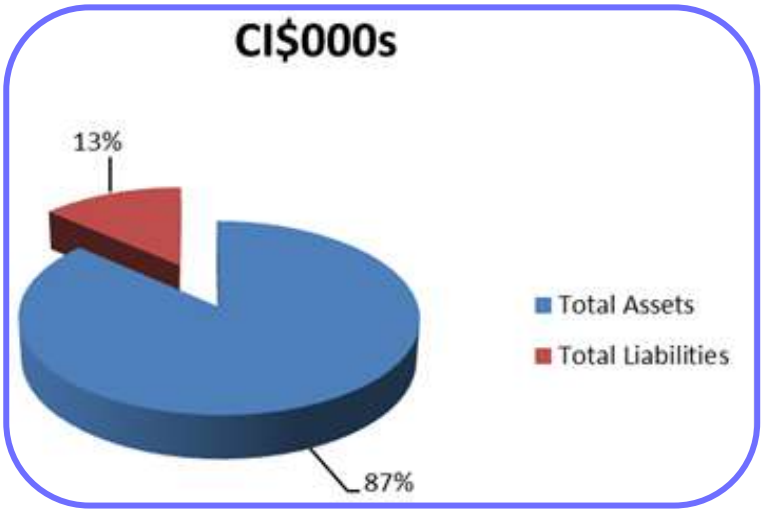
Overview of the Financial Statements

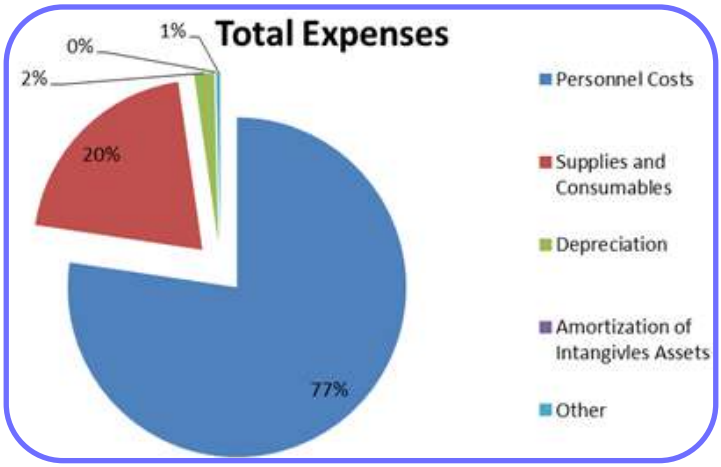
The financial statements, for the Ministry for the financial year ended 31 December 2019, are attached to this Annual Report as Appendix A.

The Statement of Financial Position, as shown on page 6 of the financial statements, discloses that the Ministry ended the 2019 financial year with CI$19.4 million in Total Assets. Of this amount, CI$10.4 million or 54% comprises of cash and cash equivalents, cash on hand, cash in transit, bank accounts and short term on call deposits invested with the Treasury Department.

Total liabilities amounted to CI$2.5 million, the majority of which comprise of CI$1.1 million in other payables and accruals.

Net Assets, which are Total Assets less Total Liabilities, amounted to CI$16.9 million.

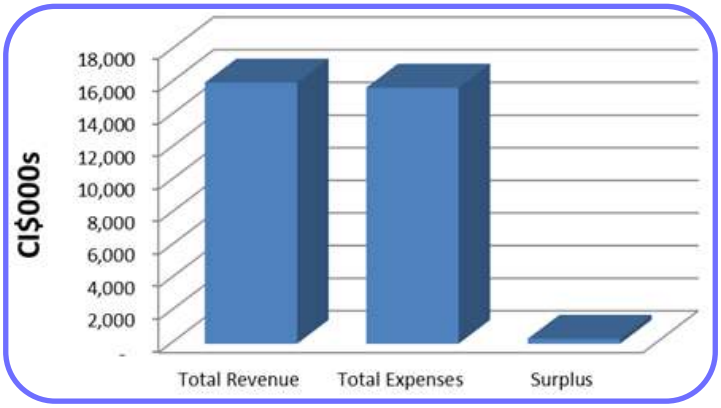




The Statement of Financial Performance, as shown on page 7 of the financial statements, shows that the Ministry earned CI$16.0 million in revenue for the 12-month period. Almost all of this revenue was earned from the delivery of outputs to Cabinet.

The Ministry incurred CI$15.7 million in operating expenses during the year, of which CI$12.1 million or 77% comprise of personnel costs. Personnel costs include salaries, health insurance and pension.

The net operating surplus, which is Total Revenue less Total Expenses, amounted to CI$0.3 million. The surplus will be repaid to the Cabinet during the 2020 financial year.



Financial Statements

Appendix A

This page was intentionally left blank.

CAYMAN ISLANDS
GOVERNMENT

Ministry of Finance & Economic Development

Financial Statements

For the year ended 31 December 2019

Contents

Statement of Responsibility for Financial Statements 3

Auditor General's Report 4

Statement of Financial Position 6

Statement of Financial Performance 7

Statement of Changes in Net Worth 8

Cash Flow Statement 9

Notes to the Finanical Statements 10

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS
31 DECEMBER 2019

These financial statements are prepared by the Ministry of Finance & Economic Development (the "Ministry") in accordance with the provisions of the Public Management and Finance Law (2018 Revision), (the "Law").

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Law.

As Financial Secretary & Chief Officer, I am responsible for establishing, and have established and maintained, a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Ministry.

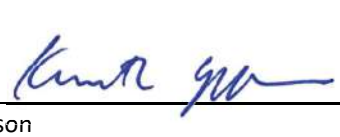
As Financial Secretary & Chief Officer, and Chief Financial Officer, we are responsible for the preparation of the financial statements, representations and judgements made in these statements.

To the best of our knowledge, these financial statements:

(a) fairly reflect the financial position as at 31 December 2019 and financial performance for the financial year ended 31 December 2019; and

(b) comply with International Public Sector Accounting Standards ("IPSAS") as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. Where guidance is not available under IPSAS, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Board or accounting practice that is generally accepted in the United Kingdom as appropriate for reporting in the public sector.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Kenneth Jefferson
Financial Secretary & Chief Officer
Ministry of Finance & Economic Development

Nina Vandine
Chief Financial Officer
Ministry of Finance & Economic Development

6 March 2019

Office of the Auditor General
CAYMAN ISLANDS

Phone: (345) - 244-3211
Fax: (345) - 945-7738
AuditorGeneral@oag.gov.ky
www.auditorgeneral.gov.ky

3rd Floor, Anderson Square
64 Shedden Road, George Town
P.O.Box 2583
Grand Cayman, KY1-1103, Cayman Islands

AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly and the Financial Secretary and Chief Officer of the Ministry of Finance and Economic Development

Opinion

I have audited the financial statements of the Ministry of Finance and Economic Development (the "Ministry"), which comprise the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in net worth and cash flows statement for the year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 27.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ministry as at 31 December 2019 and its financial performance and its cash flows for the year ended 31 December 2019 in accordance with International Public Sector Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Ministry in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Ministry's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Ministry or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Ministry's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a) of the Public Management and Finance Law (2018 revision). I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Sue Winspear, CPFA
Auditor General

6 March 2020
Cayman Islands

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2019

Actual December 31, 2018 $'000		Note	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Orig vs Actual) $'000
	Current Assets					
14,034	Cash and cash equivalents	**2**	10,414	14,459	11,734	4,045
3,149	Trade receivables	**3**	2,829	3,329	1,776	500
643	Other receivables	**3**	1,107	2	2	(1,105)
209	Inventories	**4**	202	255	255	53
246	Prepayments	**5**	154	117	57	(37)
18,281	**Total Current Assets**		**14,706**	**18,162**	**13,824**	**3,456**
	Non-Current Assets					
8,366	Property, plant and equipment	**6**	4,118	8,749	4,510	4,631
292	Intangible Assets	**7**	531	678	1,391	147
8,658	**Total Non-Current Assets**		**4,649**	**9,427**	**5,901**	**4,778**
26,939	**Total Assets**		**19,355**	**27,589**	**19,725**	**8,234**
	Current Liabilities					
262	Trade payables	**8**	410	109	109	(301)
1,098	Other payables and accruals	**8**	1,093	1,737	1,371	644
433	Unearned revenue	**9**	378	595	595	217
627	Employee entitlements	**10**	297	527	262	230
3,837	Repayment of surplus	**23**	308	3,625	302	3,317
6,257	**Total Current Liabilities**		**2,486**	**6,593**	**2,639**	**4,107**
6,257	**Total Liabilities**		**2,486**	**6,593**	**2,639**	**4,107**
20,681	**Net Assets**		**16,869**	**20,996**	**17,086**	**4,127**
	NET WORTH					
21,068	Contributed capital		17,367	22,488	18,578	5,121
(387)	Accumulated surpluses/(deficits)		(498)	(1,492)	(1,492)	(994)
20,681	**Total Net Worth**		**16,869**	**20,996**	**17,086**	**4,127**

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 December 2019

Prior Year Actual December 31, 2018 $'000		Note	Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Orig vs Actual) $'000
	Revenue					
30,379	Sale of goods and services	11	15,931	30,706	16,838	14,775
37	Investment revenue	12	75	1	1	(74)
30,416	**Total Revenue**		**16,006**	**30,707**	**16,839**	**14,701**
	Expenses					
20,497	Personnel costs	13	12,142	21,611	13,046	9,469
4,029	Supplies and consumables	14	3,196	4,546	3,087	1,350
842	Depreciation	6	302	851	342	549
109	Amortization of Intangible Assets	7	1	17	4	16
82	Impairment of inventory	4	-	-	-	-
-	Litigation costs		4	-	-	(4)
(4)	(Gains)/losses on foreign exchange transactions	15	(13)	-	-	13
(1)	(Gains)/losses on disposal/revaluation of property, plant and equipment	15	-	-	-	-
968	(Gain)/Loss on Revaluation of Asset	15	-	-	-	-
-	(Gains)/losses from derecognition of assets	15	6	-	-	(6)
56	Other expenses		60	57	57	(3)
26,579	**Total Expenses**		**15,698**	**27,082**	**16,536**	**11,384**
3,837	**Surplus for the year**		**308**	**3,625**	**303**	**3,317**

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT

STATEMENT OF CHANGES IN NET WORTH

FOR THE YEAR ENDED 31 December 2019

	Contributed Capital	Accumulated Surplus/(Deficits)	Total Net Worth	Original Budget	Final Budget	Variance (Orig vs Actual)
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at December 31 2017	20,628	(1,496)	19,132	19,096	19,096	(36)
Prior Year Adjustments	-	1,109	1,109	-	-	(1,109)
Restated balance	20,628	(387)	20,241	19,096	19,096	(1,145)
Changes in Net Worth for 2018						
Equity Investment from Cabinet	440	-	440	1,500	1,500	1,060
Repayment of Surplus to Cabinet	-	(3,837)	(3,837)	(3,554)	(3,554)	283
Net revenue / expenses recognised directly in Net Worth	440	(3,837)	(3,397)	(2,054)	(2,054)	1,343
Surplus/(Deficit) for the year 2018	-	3,837	3,837	3,554	3,554	(283)
	440	-	440	1,500	1,500	1,060
Balance at 31 December 2018 carried forward	21,068	(387)	20,681	20,596	20,596	(85)

	Contributed Capital	Accumulated Surplus/(Deficits)	Total Net Worth	Original Budget	Final Budget	Variance (Orig vs Actual)
Balance at 31 December 2018 brought forward	21,068	(387)	20,681	20,596	20,596	(85)
Changes in Net Worth for 2018						
Prior Year Adjustments	-	(111)	(111)	-	-	111
Restated balance	21,068	(498)	20,570	20,596	20,596	26
Changes in Net Worth for 2019						
Equity Investment from Cabinet	732	-	732	400	951	(332)
Capital Withdrawl (Customs Transfer)	(4,433)	-	(4,433)	-	(4,461)	4,433
Repayment of Surplus/Dividends to Cabinet	-	(308)	(308)	(3,625)	(302)	(3,317)
Net revenue / expenses recognised directly in Net Worth	(3,701)	(308)	(4,009)	(3,225)	(3,812)	784
Surplus/(Deficit)for the year 2019	-	308	308	3,625	302	3,317
	(3,701)	-	(3,701)	400	(3,510)	4,101
Balance at 31 December 2019	17,367	(498)	16,869	20,996	17,086	4,127

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 December 2019

Prior Year Actual December 31, 2018 $'000		Current Year Actual $'000	Original Budget $'000	Final Budget $'000	Variance (Orig vs Actual) $'000
	CASH FLOWS FROM OPERATING ACTIVITIES				
	Receipts				
23,273	Outputs to Cabinet	13,090	24,277	14,411	11,187
6,709	Sale of goods and services	3,394	6,335	3,344	2,941
8	Interest received	55	1	-	(54)
-	Other receipts	-	19	2	19
	Payments				
(20,494)	Personnel costs	(12,377)	(21,616)	(12,756)	(9,239)
(4,289)	Supplies and consumables	(3,212)	(4,741)	(3,589)	(1,529)
(52)	Other payments	(57)	(57)	(57)	-
5,155	**Net cash flows from operating activities**	**893**	**4,218**	**1,355**	**3,325**
	CASH FLOWS FROM INVESTING ACTIVITIES				
(570)	Purchase of property, plant and equipment	(676)	(537)	(951)	139
1	Proceeds from sale of property, plant and equipment	-	-	-	-
(569)	**Net cash flows from investing activities**	**(676)**	**(537)**	**(951)**	**139**
	CASH FLOWS FROM FINANCING ACTIVITIES				
440	Equity Investment from Cabinet	-	400	951	400
(5,185)	Repayment of Surplus to Cabinet	(3,837)	(3,554)	(3,554)	283
(4,745)	**Net cash flows from financing activities**	**(3,837)**	**(3,154)**	**(2,603)**	**683**
(159)	**Net increase/(decrease) in cash and cash equivalents**	(3,620)	527	(2,199)	4,147
14,193	Cash and cash equivalents at beginning of the year	14,034	13,933	13,933	(101)
14,034	**Cash and cash equivalents at end of the year**	**10,414**	**14,459**	**11,734**	**4,046**

The accounting policies and notes starting on page 10 form an integral part of these financial statements.

Description and Principal Activities

The Ministry of Finance & Economic Development (the "Ministry") is a Government entity as defined by section 2 of the Public Management and Finance Law (2018 Revision) (the "Law").

Its principal activities and operations include all activities carried out in terms of the Outputs purchased by the Minister of Finance & Economic Development as defined in the Plan and Estimates for the Government of the Cayman Islands (the "Government") for the year ended 31 December 2019. The purpose of the Ministry is to develop, implement and maintain macro-economic and budgetary policies, maintain measures to manage the finances of the Government and exercise supervision and control in all matters relating to the financial affairs of the Government. The Ministry consists of several departments, including Economics and Statistics Office, Finance Administration, Risk Management, Treasury and Postal Service.

Following the formation of the Cayman Islands Customs and Border Control, the Customs Department was reassigned to the Ministry of Human Resources and Immigration effective 1 February 2019 and therefore ceased to be a department of the Ministry on the effective date.

Note 1: Significant Accounting Policies

These financial statements are 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.

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

Basis of Preparation
The financial statements are presented in Cayman Islands Dollars (CI$) and are prepared on the accrual basis of accounting, unless otherwise stated. The statements are rounded to the nearest thousand. Any discrepancies between totals and sums of components are due to rounding. The measurement base applied to these financial statements is the historical cost basis, unless otherwise stated.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2019 and not early adopted.

Certain new accounting standards have been published that are not mandatory for the 31 December 2019 reporting year and have not been early adopted by the Ministry. The Ministry's assessments of the impact of these new standards are set out below.

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in IPSAS 29, Financial Instruments: Recognition and Measurement. It is anticipated that IPSAS 41 will not have a significant impact on the Ministry's financial statements. This will be assessed more fully closer to the effective date of adoption.

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that IPSAS 42 will not have an impact on the Ministry's financial statements, but this will be assessed more fully closer to the effective date of adoption.

Changes in Accounting Policies
When presentation or classifications of items in the financial statements are amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Budget Amounts
The original budget amounts for the year ended 31 December 2019 financial period are as presented in the 2019 Budget Statement and the amounts are rolled up into the Plan and Estimates document which was approved by the Legislative Assembly. Any changes to the original budget are reflected in the final budget. As required by the Law, budgets are presented on the same basis as the annual financial statements.

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

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

Changes in Accounting Estimates
There have been no changes in accounting estimates as defined by IPSAS 3.

Revenue
Revenue is recognised in the accounting period in which it is earned. Revenue received but not yet earned at the end of the reporting period is recognised as a liability (unearned revenue).

The Ministry derives its revenue through the provision of services to Cabinet, other agencies in Government and third parties. Revenue is recognised at fair value of services provided.

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

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

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 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.

Inventory
Inventory 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 realizable 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 realizable value.

Prepayments
The portion of recognised expenditure paid in advance of receiving services is recognised as a prepayment.

Property, Plant and Equipment
Property, Plant and Equipment are stated at historical cost upon initial recognition less accumulated depreciation. 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.

Property, Plant and Equipment reported in the Statement of Financial Position as of the year end are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment loss. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially for those that would be determined using fair values at the end of each reporting year.

Any revaluation increase arising on the revaluation of such assets is recognized in the Statement of Changes in Net Worth (equity), except to the extent that it reverses a revaluation decrease for the same class of asset previously in surplus or deficit in the Statement of Financial Performance, in which case the increase is credited to the surplus or deficit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognized in surplus or deficit to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to previous revaluation of that class of asset.

Assets Under Construction
Assets under construction or development are carried at cost, less any recognized impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets (on the same basis as the asset category) commences when the assets are ready for their intended use.

Furniture and Equipment
Furniture and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation
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 and assets under construction); 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.

Asset Type	***Estimated Useful life (in Years)***
Buildings and structures	40 - 60
Leasehold Improvement	Unexpired period or useful life
Furniture, fittings and office equipment	3-20
Computer hardware	3 - 10
Computer software	3 - 10
Other plant and equipment	5 - 25
Motor vehicles	4 - 12

Intangible Assets
Acquired computer software licenses lasting over a year are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

The carrying value of an intangible asset with a finite life is amortized on a straight line basis over its estimated useful life. Amortization begins when the asset is available for use and ceases at the date that the asset is derecognized. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately (if any) are carried at cost less accumulated impairment losses. Amortization charge for each year is recognized in the Statement of Financial Performance.

Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all the following have been demonstrated:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
b) the intention to complete the intangible asset and use or sell it;
c) the ability to use or sell the intangible asset;
d) how the intangible asset will generate probable future economic benefits;
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Derecognition of Assets
An item of property, plant and equipment and intangible asset is derecognized upon disposal or when no future economic benefits are expected to rise from the continued use of the asset.

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.

Employee Benefits
Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they are earned by employees. Employee entitlements to be settled within one year following the year end are reported as current liabilities at the amount expected to be paid.

Pension contributions for employees of the Ministry are paid 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 Ministry.

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

Financial Instruments
The Ministry is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, trade and accounts receivables and trade and accounts payable, all of which are recognised in the Statement of Financial Position.

When there is objective evidence that a financial asset or group of financial assets is impaired, the losses are recognised as an expense in the Statement of Financial Performance.

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

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 and accrued expenses.

Recognition
The Ministry 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 Statement of Financial Performance.

Measurement
Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

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

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

Contingent Liabilities and Assets (including Guarantees)
Contingent liabilities and assets are reported at the point the contingency becomes evident. Contingent liabilities are disclosed when there is a possible obligation or present obligations that may, but probably will not, require an outflow of resources.

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 year the following exchange rates are to be used to translate foreign currency balances:

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

Surplus Repayable
Pursuant to Section 39 (3) (f) of the Law any net surplus is transferred to surplus repayable, and, ultimately, repaid to the Cabinet.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank accounts in the name of the Ministry and are maintained at Royal Bank of Canada, and short term on call deposits invested with the Government's Treasury. As at 31 December 2018 and 31 December 2019, the Ministry's unrestricted cash balances were, as presented below. No restricted cash balances were held at 31 December 2019.

Prior Year Actual December 31, 2018	Description	Foreign Currency	Exchange Rate	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
5	Cash on hand			-	5	5	5
63	Cash in transit			22	23	23	1
9,877	CI$ Operational Current Account			5,754	13,317	10,592	7,563
82	US$ Operational Current Account	49	0.84	41	76	76	35
206	Payroll Current Account			761	329	329	(432)
92	Bank Accounts held at other financial institutions			72	7	7	(65)
3,709	Treasury Internal Deposits			3,764	702	702	(3,062)
14,034	**TOTAL**			**10,414**	**14,459**	**11,734**	**4,045**

Note 3: Trade Receivables and Other Receivables

At year end all overdue receivables are assessed and appropriate provisions made. The provisions for doubtful debts are calculated based on expected losses for the Ministry and a review of specific debtors. Expected losses are determined based on an analysis of the Ministry's losses in previous years.

Prior Year Actual December 31, 2018		Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Trade Receivables				
512	Sale of goods and services	60	380	65	320
2,637	Outputs to Cabinet	2,769	2,949	1,711	180
3,149	**Total trade receivables**	2,829	3,329	1,776	500

Actual Prior Year	Other Receivables	Actual Current Year	Original Budget	Final Budget	Variance (Org vs Actual)
-	Dishonoured cheques	2	-	-	(2)
36	Interest receivable	56	2	2	(54)
607	Other Receivables	1,049	-	-	(1,049)
643	**Total other receivables**	1,107	2	2	(1,105)

Actual Prior Year	Receivables	Trade Receivable	Other Receivable	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
3,648	Past due 1-30 days	2,763	902	3,665	3,181	1,698	(484)
48	Past due 31-60 days	46	-	46	-	-	(46)
42	Past due 61-90 days	3	-	3	-	-	(3)
45	Past due 90 and above	8	11	19	83	44	64
9	Past due 1 year and above	9	194	203	67	36	(136)
3,792	Total	2,829	1,107	3,936	3,331	1,778	(605)

Note 4: Inventories

Prior Year Actual December 31, 2018	Description	Current Period Actual	Original Budget	Final Budget	Variance (Orig vs Actual)
291	Inventory held for use in the provision of goods and servi	202	255	255	53
(82)	Impairment of Inventory	-	-	-	-
209	**Total Inventories**	202	255	255	53

Note 5: Prepayments

Prior Year Actual December 31, 2018	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Current				
246	Accrued Prepayments	154	117	57	(37)
246	**Total Prepayments**	154	117	57	(37)

Note 6: Property, plant and equipment

Cost	*Plant and equipment*	*Buildings and Leasehold*	*Furniture and Office Equipment*	*Computer Hardware*	*Other assets*	*Motor Vehicles*	*Assets under construction or development*	*Total*	*Original Budget*	*Final Budget*	*Variance (Orig vs Actual)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 Jan 2018	1,134	7,763	845	267	-	2,938	-	12,947	13,323	13,323	376
Additions	108	-	93	8	26	167	16	418	917	917	499
Disposals	(126)	-	(304)	(2)	-	(102)	-	(534)	-	-	534
Balance as at 31 December 2018	1,116	7,763	634	273	26	3,003	16	12,831	14,240	14,240	1,409

	Plant and equipment	*Buildings and Leasehold*	*Furniture and Office Equipment*	*Computer Hardware*	*Other assets*	*Motor Vehicles*	*Assets under construction or development*	*Total*	*Original Budget*	*Final Budget*	*Variance (Orig vs Actual)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 Jan 2019	1,116	7,763	634	273	26	3,003	16	12,831	14,240	14,240	1,409
Additions	61	-	4	30	-	-	96	191	437	150	246
Disposals	-	-	-	-	-	(45)	-	(45)	-	-	45
Transfers	(959)	(3,229)	(204)	(49)	(26)	(2,716)	(16)	(7,199)	-	(7,523)	7,199
Balance at 31 December 2019	218	4,534	434	254	-	242	96	5,778	14,677	6,867	8,899

Accumulated Depreciation and Impairment Losses	*Plant and equipment*	*Buildings and Leasehold*	*Furniture and Office Equipment*	*Computer Hardware*	*Other assets*	*Motor Vehicles*	*Assets under construction or development*	*Total*	*Original Budget*	*Final Budget*	*Variance (Orig vs Actual)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 Jan 2018	849	484	730	252	-	1,841	-	4,156	5,077	4,191	921
Depreciation Expense	120	351	38	10	4	319	-	842	-	885	(842)
Eliminate on Disposal	(126)	-	(304)	(2)	-	(102)	-	(534)	-	-	534
Balance as at 31 December 2018	**843**	**835**	**464**	**260**	**4**	**2,059**	**-**	**4,465**	**5,077**	**5,077**	**612**

	Plant and equipment	*Buildings and Leasehold*	*Furniture and Office Equipment*	*Computer Hardware*	*Other assets*	*Motor Vehicles*	*Assets under construction or development*	*Total*	*Original Budget*	*Final Budget*	*Variance (Orig vs Actual)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 Jan 2019	843	835	464	260	4	2,059	-	4,465	5,077	5,077	612
Transfers	(732)	(365)	(83)	(49)	(4)	(1,828)	-	(3,062)	-	(3,062)	3,062
Depreciation Expense	19	207	16	11	-	49	-	302	851	342	549
Eliminate on Disposal/Revaluation	-	-	-	-	-	(45)	-	(45)	-	-	45
Balance at 31 December 2019	130	677	397	222	-	235	-	1,661	5,928	2,357	4,268
Net Book Value 31 December 2018	273	6,928	170	13	22	944	16	8,366	9,163	9,163	798
Net Book Value 31 December 2019	88	3,857	37	32	-	8	96	4,118	8,749	4,510	4,631

Note 7: Intangible assets

Note : Intangible Assets

	Computer Software	*Assets under development*	*Total*	*Original Budget*	*Final Budget*	*Variance (Orig vs Actual)*
Cost						
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 Jan 2018	2,149	71	2,220	2,374	2,374	154
Additions	-	219	219	700	700	481
Disposals	(2,027)	-	(2,027)	(1,300)	(1,300)	727
Balance as at 31 December 2018	122	290	412	1,774	1,774	1,362

	Computer Software	*Assets under development*	*Total*	*Original Budget*	*Final Budget*	*Variance (Orig vs Actual)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 Jan 2019	122	290	412	1,774	1,774	1,362
Additions	-	564	564	100	801	(464)
Transfers	-	(323)	(323)	-	-	323
Balance at 31 December 2019	122	531	653	1,874	2,575	1,221

Accumulated Amortization and Impairment Losses	*Computer Software*	*Assets under development*	*Total*	*Original Budget*	*Final Budget*	*Variance (Orig vs Actual)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 Jan 2018	1,070	-	1,070	1,070	1,070	-
Depreciation Expense	109	-	109	109	109	-
Eliminate on Disposal	(1,059)	-	(1,059)	-	-	1,059
Balance as at 31 December 2018	**121**	**-**	**121**	**1,179**	**1,179**	**1,059**

	Computer Software	*Assets under development*	*Total*	*Original Budget*	*Final Budget*	*Variance (Orig vs Actual)*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance as at 1 Jan 2019	121	-	121	1,179	1,179	1,059
Transfers	-	-	-	-	-	-
Depreciation Expense	1	-	1	17	4	15
Balance at 31 December 2019	122	-	122	1,196	1,184	1,074
Net Book Value 31 December 2018	1	290	292	594	594	302
Net Book Value 31 December 2019	-	531	531	678	1,391	147

The Ministry has Point of Sale Software (Swift Postal) currently being implemented for use at Postal Services. The current systems which were acquired in 2009 are failing, obsolete and cannot be repaired. Implementations of Swift Postal will start on 3 Feb 2020, full implementation is expected to be completed on 30 April 2020. The introduction of one system across all Post Offices will facilitate the collection and protection of Government Revenues and improve customer service. Other postal administrations in the region who have implemented Swift Postal have been able to offer their governments a central payment point for all government services, so the introduction of Swift Postal offers the CIG options to maximize the foot-print of Post Offices to enhance services for all CIG Departments.

Note 8: Trade Payables, Other Payables and Accruals

Prior Year Actual December 31, 2018	Description	Current	Total Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
48	Creditors	193	193	109	109	(84)
214	Creditors Ministries/Portfolios	216	216	-	-	(216)
413	Accrued Expenses	394	394	976	610	582
642	Accrued Expenses Ministries/Portfolio	681	681	750	750	69
30	Accrued Expenses other government agencies	2	2	-	-	(2)
13	Other payables	16	16	11	11	(5)
1,360	**Total trade payables, other payables & accruals**	1,502	1,502	1,846	1,480	344

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

Note 9: Unearned Revenue

Prior Year Actual December 31, 2018	Details	Current Period Actual	Original Budget	Final Budget	Variance (Orig vs Actual)
433	Other unearned revenue	378	595	595	217
433	**Total unearned reveune**	378	595	595	217

Note 10: Employee Entitlements

Prior Year Actual December 31, 2018	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
	Current employee entitlements are represented by:				
35	Comp Time	14	20	10	6
337	Annual Leave	198	292	167	94
103	Accrued salaries	9	45	-	36
-	Travel	-	-	-	-
152	Pension	82	170	85	88
-	Other salary related entitlements	(6)	-	-	6
627	**Total employee entitlements**	297	527	262	230

The annual leave entitlements and compensated absence (Comp time) are calculated on current salary paid to those employees eligible for this benefit.

Note 11: Sale of Goods and Services

Prior Year Actual December 31, 2018	Revenue type	Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
23,406	Outputs to Cabinet	12,491	24,327	13,782	11,836
86	Outputs to other government agencies	102	121	121	19
2,058	Fees and charges	180	1,837	153	1,657
3,681	General Sales	2,046	3,401	1,780	1,355
1,148	Other	1,112	1,020	1,002	(92)
30,379	**Total sales of goods and services**	15,931	30,706	16,838	14,775

Outputs to Cabinet comprises goods delivered to, and services performed on behalf of, the Government.

Outputs to other Government agencies comprises trade between the Ministry and other government bodies.

Fees and charges, general sales and others include administrative fees and user charges levied on the public for the delivery of Government services. Certain respective rates and fee structures are Gazetted and governed by the relevant revenue laws and regulations.

Note 12: Investment Revenue

Prior Year Actual December 31, 2018	Source	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
37	Interest on deposits held with Treasury	75	1	1	(74)
37	**Total Investment Revenues**	75	1	1	(74)

Note 13: Personnel Costs

Prior Year Actual December 31, 2018	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
16,545	Salaries, wages and allowances	9,778	17,362	10,084	7,584
3,091	Health care	1,957	3,267	2,376	1,310
868	Pension	531	955	561	424
(28)	Leave	(133)	15	15	148
21	Other personnel related costs	9	12	10	3
20,497	**Total Personnel Costs**	12,142	21,611	13,046	9,469

Note 14: Supplies and Consumables

Prior Year Actual December 31, 2018	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
400	Supplies and Materials	371	690	466	319
2,324	Purchase of services	1,850	2,389	1,623	539
137	Lease of Property and Equipment	128	139	132	11
545	Utilities	306	543	288	237
425	Interdepartmental expenses	408	435	407	27
56	Travel and Subsistence	50	63	63	13
132	Recruitment and Training	81	277	107	196
10	Other	2	10	1	8
4,029	**Total Supplies & consumables**	3,196	4,546	3,087	1,350

Note 15: Gains/(Losses)

Prior Year Actual December 31, 2018	Description	Actual Current Year	Original Budget	Final Budget	Variance (Orig vs Actual)
(1)	Net (gain) / loss on disposal of property, plant and equipment	-	-	-	-
-	Gain/Loss on Derecognition of Asset/Liab	6	-	-	(6)
968	Loss/(Gain) on Revaluation of Asset	-	-	-	-
(4)	Net (gain) / loss on foreign exchange Transactions	(13)	-	-	13
963	**Total gain/ (losses)**	(7)	-	-	7

Note 16: Contingent Liabilities and Assets

The Ministry has no contingent assets as at 31 December 2019. Any contingent liabilities relating to the Ministry as at 31 December 2019 are reported in the consolidated accounts for the Government.

Note 17: Explanation of major variances against budget

The majority of the changes between the original budget and the final budget are a result of Customs Department moving to another Ministry on 1 February 2019. The reallocation of the Customs Department was approved by Cabinet under Section 11(5) of the Law; this is to be included in the Supplementary Appropriation Bill to be introduced to the Legislative Assembly by 31 March 2020, as required by Section 11(6) of the Law.

Explanations for major variances for the Ministry's performance against the original budget are as follows:

Statement of Financial Performance

Sale of Goods and Services Revenue

Revenue was below budget by $14.8 million. Customs Department moved to another Ministry resulting in a decrease of $11.5 million of Cabinet Revenue and $3.3 million of third party revenue. Additional variances are due to the inability to bill Cabinet for unspent appropriations in addition to lower expenditures by Departments. The Ministry only bills for Cabinet Revenue as the expenditures occur.

Personnel Costs
Personnel costs were lower than the original budget by $9.5 million. The variance is comprised of $9.2 million as a result of Customs Department being transferred to another Ministry on 1 February 2019. The remainder is caused by vacancies and the timing of vacant posts being filled.

Final budget increased by $560 thousand due to Cabinet approval under Section 11(5) of the law to fund increased health care premiums and is to be included in the Supplementary Appropriation Bill as required by Section 11(6) of the Law.

Supplies and Consumables
Supplies and Consumables costs were lower than original budget by $1.4 million. The Customs transfer on 1 February 2019 resulted in a decrease in spending of $1.6 million, the net difference of 200k is attributed to professional fees and reporting systems.

Final Budget is comprised of a decrease of $1.628 million in relation to the Customs transfer and an increase of $170 thousand for funding needed to cover professional fees, utilities, attractive assets and financial reporting. Supplies and Consumables cost were higher than final budget by $109 thousand due to higher expenditure on professional fees and reporting systems.

Depreciation
Depreciation was lower than original budget by $549 thousand. Customs being transferred on 1 February 2019 to another Ministry attributed to $521 thousand of the variance.

Statement of Financial Position
Cash
The actual year end cash balance was lower than budget by $4 million. Customs Department moved to another Ministry resulting in a decrease of third party revenue of $3.3 million, in addition the equity injection of $732 thousand for 2019 was not received until the following year, 2020.

Trade & Other Receivables
The actual year-end trade receivable balance was lower than the budget by $500 thousand as a result of the Customs transfer and not receiving the equity injection before the end of the year.

Other Receivables
The actual year-end of other receivable balance was higher than the original budget by $1.1 million due to postal terminal dues receivable much higher than anticipated interest receivable.

Prepayments
The actual year end prepayments were higher than the original budget by $37 thousand due to the timing of payments on various contracts and subscriptions.

Property, Plant and Equipment
The actual year end property, plant and equipment ("PPE") were lower than the original budget by $4.6 million. Customs Department has moved to another Ministry attributing to $4.5 million of the variance.

Intangible Assets
The actual year end intangible assets were lower than the original budget by $147 thousand due to the Post Office point of sales system not being completed during the period.

Trade Payables, Other Payables and Accruals
The actual year end payables and accrual balances were lower than the original budget by $344 thousand due to timing of payments being made and Customs Department moving to another Ministry.

Unearned Revenue
The actual year end unearned revenue was lower than the original budget by $217 thousand due to the variable nature of when customers make payments throughout the year and therefore becomes a timing issue.

Employee Entitlements
The actual year end employee entitlement was lower than the original budget by $230 thousand due to Customs Department transfer.

Repayment of Surplus
The actual year end repayment of Surplus balance was lower than the original budget by $3.3 million due to Customs Department transfer.

Cash Flow Statement
Cash from Operating Activities
Cash from operating activities was under budget by $3.3 million due to Customs Department moving to another Ministry, lower expenditures and lower cabinet revenues than budgeted.

Cash from Investing Activities
Cash from investing activities was higher than budget by $139 thousand due the decision to purchase the postal point of sales system.

Cash from Financing Activities
The cash inflow from financing was under budget by $683 thousand, was a result of equity injection not being received before year end.

Note 18: Related Party and Key Management Personnel Disclosures

Related party disclosure
The Ministry is an entity of the Government from which it derives a major source of its revenue. The Ministry and its key management personnel transact with other Government entities on a regular basis. These transactions are provided free of cost during the year ended 31 December 2019 and are consistent with normal operating relationships between entities and are undertaken on terms and conditions that are normal for such transactions.

Key Management Personnel
Key management personnel are also considered to be related parties and received the following remuneration.

Prior Year Actual December 31, 2018	Description	Actual Current Year	Number of posts
1,195	Salaries & other short-term employee benefits	1,131	**10**
134	Other long-term benefits	125	
1,329	Total	1,256	

No loans were granted to key management personnel or to their close relatives.

Note 19: Commitments

Prior Year Actual December 31, 2018	Type	One year or less $'000	One to five Years $'000	Over five Years $'000	Total $'000
	Capital Commitments				
-	Other commitments (list separately if material)	130	-	-	130
-	**Total Capital Commitments**	130	-	-	130
	Operating Commitments				
-	Non-cancellable contracts for the supply of goods and services	416	416	-	832
-	**Total Operating Commitments**	416	416	-	832
-	**Total Commitments**	546	416	-	962

Note 20: Events Occurring After Reporting Date

No significant events occurred after the reporting date.

Note 21: Financial Instrument Risks

The Ministry is party to financial instrument arrangements as part of its everyday operations. These financial instruments include cash and bank balances, accounts receivable, Cabinet receivable and creditors and other payables. The fair value of financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Credit Risk
In the normal course of its business the Ministry is subject to credit risk from debtors other than the Cabinet. The Ministry does not have significant concentrations of credit risk for its other financial instruments.

Currency and Interest Rate Risk
The Ministry has no significant exposure to currency exchange loss risk nor interest rate risk.

Liquidity Risk
In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash draw-downs from Cabinet and receipts from third parties and maintains a target level of available cash to meet liquidity requirements.

Note 22: Segment Reporting

Prior Year Actual		Current Year Actual $'000							
		FIN ADMIN	RSK	CUS	ESO	TSY	POS	CPO	TOTAL
	Revenue								
23,406	Outputs from Cabinet	1,717	75	1,030	2,017	4,825	2,425	402	12,491
6,973	Sale of goods and services	1	-	361	-	119	2,959	-	3,440
37	Other revenue	75	-	-	-	-	-	-	75
30,416	**Total Revenue**	1,793	75	1,391	2,017	4,944	5,384	402	16,006
	Expenses								
20,498	Salaries and Wages	1,494	74	929	1,550	3,777	4,089	229	12,142
6,081	Other expenses	299	1	154	467	1,167	1,295	173	3,556
26,579	**Total Expenses**	1,793	75	1,083	2,017	4,944	5,384	402	15,698
3,837	**Net Surplus/ (Deficit)**	-	-	308	-	-	-	-	308
	Assets								
18,280	Current Assets	13,242	-	5	5	144	1,290	20	14,706
8,658	Non-Current Assets	5	-	-	7	21	4,616	-	4,649
26,938	**Total Assets**	13,247	-	5	12	165	5,906	20	19,355
(7,417)	**Total Liabilities**	(570)	-	(128)	(82)	(780)	(918)	(7)	(2,485)
440	**Total Capital Expenditures**	-	-	33	5	-	693	-	731

Joint assets and liabilities held as common are directly managed by the Finance Administration (FIN ADMIN) section; therefore FIN ADMIN would include such assets as cash and cash equivalents and receivables from Cabinet. It would also include such liabilities as Surplus payable and payroll deductions that are payable.

Finance Administration (FIN ADMIN) section assists the Financial Secretary and the Minister for Finance by providing policy advice, governance and administrative services on all financial, budgeting and reporting matters of the Government. The section processes applications for fees and customs duty waivers, stamp duty abatements and assessments, government loans to Civil Servants, as well as providing administrative support and monitoring the performance of Departments under the Ministry.

The Risk Management Unit's (RSK) primary purpose is develop, implement and coordinate comprehensive property and liability insurance programmes along with safety and loss control activities to minimize the negative financial impact of natural hazards, accidents and other unexpected events to the Government.

The Customs Department (CUS) is responsible for collecting and protecting Government's revenue, facilitating legitimate trade and controlling prohibited and restricted goods in a cost effective manner while preserving a safe environment for all. Customs activities include: processing and inspecting of vessels and aircrafts; collection of duties; providing policy advice on Customs related matters and border control and enforcement.

The Economic and Statistics Office (ESO) monitors the economy, develops economic policies and plans, and advises the Government on a range of economic issues to sustain growth in the Islands. The ESO also conducts and analyses social and economic surveys and compiles and publishes statistical data on the Cayman Islands, and provides other Government Departments with technical advice on data collection and dissemination, and survey design and methodology.

The Treasury Department (TSY) is responsible for the preparation and the consolidation of the forecast and annual financial statements for core Government and the Entire Public Sector (EPS), as required by section 29(A) of the Law, using IPSAS. Treasury has oversight for the management and forecasting of core government cash flows, negotiation, evaluation and administration of core Government borrowings. It is responsible for the design, quality assurance and management of the budget and reporting processes for the EPS; this includes coordinating and preparing an annual timeline, strategic policy statement, plan and estimates, budget statements, ownership and purchase agreements and revenue forecasts. The Treasury also provides financial management services to Ministries/Portfolios and the Cabinet.

The Cayman Islands Postal Services (POS) is the Government Department designated as the postal operator responsible for fulfilling the Government's obligations arising from adherence to the Universal Postal Union Convention in the Cayman Islands. As the designated postal operator, the Postal Service is charged with ensuring that postal services are accessible to all residents and visitors in the territory and operates a network of 16 Postal Services across all Islands. It is also part of a network of over 700,000 postal outlets worldwide. Core postal services are domestic and international in scope and encompass ordinary letter mail including mail with certified posting, registered mail, prepaid postage (franking meters and online meters), parcels, re-direction of mail, safe mail as well as the postal industry's courier service – Express Mail Service (EMS).

The Central Procurement Office (CPO) provides training, advice and guidance to all entities and persons involved in public procurement.

Note 23: Surplus Payable

Surplus payable represents Surplus of $308 thousand earned during the year ended 31 December 2019 (2018: $3.8 million), and which is to be repaid to the Cabinet, in the next financial year, 2020.

End of Report.

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

ANNUAL REPORT FOR THE YEAR ENDED

31 DECEMBER 2019