

Ministry of Home and Community Affairs - Community Affairs

FINANCIAL STATEMENTS
30 JUNE 2014

Ministry of Home and Community Affairs – Community Affairs
Financial statements for the year ended 30 June 2014

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Ministry of Home and Community Affairs - Community Affairs

STATEMENT OF RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements have been prepared by the Ministry of Home and Community Affairs - Community Affairs in accordance with the provisions of *the Public Management and Finance Law (2013 Revision).*

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

As Chief Officer I am responsible for establishing; and have established and maintain 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 of Home and Community Affairs - Community Affairs.

As Chief Officer and Chief Financial Officer we are responsible for the preparation of the Ministry of Home and Community Affairs - Community Affairs financial statements, representation and judgements made in these statements.

The financial statements fairly present the financial position, financial performance and cash flows of the Ministry of Home and Community Affairs - Community Affairs for the financial year ended 30 June 2014.

To the best of our knowledge we represent that these financial statements except as otherwise indicated;

(a) Completely and reliably reflect the financial transactions of Ministry of Home and Community Affairs - Community Affairs for the year ended 30 June 2014;
(b) fairly reflect the financial position as at 30th June 2014 and performance for the year ended 30 June 2014; and
(c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board. Where guidance is not available, the financial statements comply with International Accounting Standards issued by the International Accounting Standards Committee 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.

Dorine Whittaker
Chief Officer
Date- 31st October 2014

Stephanie Azan
Chief Financial Officer
Date- Oct. 31st 2014

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Members of the Legislative Assembly and the Chief Officer of the Ministry of Home and Community Affairs – Community Affairs

I have audited the accompanying financial statements of Ministry of Home and Community Affairs – Community Affairs, ("the Ministry"), which comprise the statement of financial position as at 30 June 2014 and the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 24 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision).*

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ministry of Home and Community Affairs – Community Affairs, ("the Ministry") as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

31 October 2014
Cayman Islands

Ministry of Home and Community Affairs – Community Affairs
Statement of Financial Position
As at 30 June 2014
(Stated in Cayman Islands Dollars)

2012/13 Actual		Note	2013/14 Actual	2013/14 Budget	Variance
1,902,969	Cash and cash equivalents	2	2,977,483	2,390,173	587,310
1,799,876	Trade and other receivables	3	559,653	1,142,869	(550,716)
23,722	Inventories and other current assets	4	28,806	25,064	3,742
3,726,567	**Total Current Assets**		**3,565,942**	**3,558,106**	**40,336**
	Non-Current Assets				
3,504,872	Property, plant and equipment	5	3,470,392	3,449,420	20,972
3,504,872	**Total Non-Current Assets**		**3,470,392**	**3,449,420**	**20,972**
7,231,439	**Total Assets**	19	**7,036,334**	**7,007,526**	**61,308**
	Current Liabilities				
482,064	Trade and other payables	6	433,296	112,105	321,191
94,273	Employee entitlements	7	128,137	42,790	85,347
2,140,934	Repayment of surplus	6	1,845,757	1,255,681	590,076
2,717,271	**Total Current Liabilities**	19	**2,407,190**	**1,410,576**	**996,614**
-	Noncurrent liabilities		-	-	-
2,717,271	**Total Liabilities**		**2,407,190**	**1,410,576**	**996,614**
4,514,168	**Net Assets**		**4,629,144**	**5,596,950**	**(967,806)**
	Net Worth				
4,514,168	Shareholders capital	19	4,629,144	5,596,950	(967,806)
4,514,168	**Total Net Worth**		**4,629,144**	**5,596,950**	**(967,806)**

The accounting policies and notes on pages 9 to 27 form part of these financial statements.

Ministry of Home and Community Affairs - Community Affairs
Statement of Financial Performance
For the year ended 30 June 2014
(Stated in Cayman Islands Dollars)

2012/13 Actual		Note	2013/14 Actual	2013/14 Budget	Variance
	Revenue				
13,670,917	Sale of goods and services	8, 19	13,688,085	13,714,427	-26,342
203,088	Donations and other revenue	7, 19	159,093	61,486	97,607
13,874,005	**Total Revenue**		**13,847,178**	**13,775,913**	**71,265**
	Expenses				
10,538,097	Personnel costs	9, 19	10,541,444	11,136,690	(595,246)
2,119,379	Supplies and Consumables	10	2,129,840	2,437,727	(307,888)
235,607	Depreciation	5	215,444	201,497	13,947
80	(Gains)/losses on foreign exchange		(55)	-	(55)
95,590	(Gains)/losses on disposal/revaluation of property, plant and equipment		-	-	-
12,988,753	**Total Expenses**	19	**12,886,673**	**13,775,913**	**(889,240)**
885,252	**Surplus for the year**	19	**960,505**	**-**	**960,505**

The accounting policies and notes on pages 9 to 27 form part of these financial statements.

Ministry of Home and Community Affairs - Community Affairs
Statement of Changes in Net Worth
For the year ended 30 June 2014
(Stated in Cayman Islands Dollars)

2012/13 Actual		2013/14 Actual	2013/14 Budget	Variance
4,377,647	At 01 July 2012	4,440,412	5,325,450	(885,038)
62,765	Equity investment from Cabinet	73,756	156,000	(82,244)
4,440,412	Balance net worth 30 June 2013	4,514,167	5,481,450	(967,282)
4,440,412	At 01 July 2013	4,514,168	5,481,450	(967,282)
73,756	Equity investment from Cabinet	114,976	115,500	(524)
4,514,168	Closing balance net worth	**4,629,144**	**5,596,950**	**(967,806)**

The accounting policies and notes on pages 9 to 27 form part of these financial statements.

Ministry of Home and Community Affairs - Community Affairs
Statement of Changes in Net Worth
For the year ended 30 June 2014
(Stated in Cayman Islands Dollars)

	Note	Contributed Capital CI$000	Accumulated Surpluses CI$000	Total Net Worth CI$0,00	Final/Original Budget CI$000	Variance (Final Budget vs. Actual) CI$000
Balance at 01 July 2013		**4,440,412**	**-**	**4,440,412**	**5,325,450**	**(885,038)**
Equity investment from Cabinet		73,756	-	73,756	156,000	(82,244)
Surplus for the period 2011/12		-	885,252	885,252	-	885,252
Surplus repayment for the period 2012/13		-	(885,252)	(885,252)	-	(885,252)
Balance at 30 June 2013		**4,514,168**	**-**	**4,514,168**	**5,481,450**	**(967,282)**
Equity investment from Cabinet		114,976	-	114,976	115,500	(524)
Surplus for the period 2013/14		-	960,505	960,505	-	960,505
Surplus repayment for the period 2013/14		-	(960,505)	(960,505)	-	(960,505)
Balance at 30 June 2014		**4,629,144**	**-**	**4,629,144**	**5,596,950**	**(967,806)**

The accounting policies and notes on pages 9 to 27 form part of these financial statements.

Ministry of Home and Community Affairs - Community Affairs
Statement of Cash Flows
For the year ended 30 June 2014
(Stated in Cayman Islands Dollars)

2012/13 Actual		Note	2013/14 Actual	2013/14 Budget	Variance
	CASH FLOWS FROM OPERATING ACTIVITIES				
13,189,787	Outputs to Cabinet		14,931,360	14,370,092	561,268
203,088	Other receipts		90,705	61,486	29,219
(10,515,528)	Personnel costs		(10,507,154)	(11,136,690)	629,536
(2,143,370)	Operating and other expenses		(2,182,721)	(2,807,684)	624,963
733,977	Net cash flows from operating activities		2,332,190	487,204	1,844,986
	CASH FLOWS FROM INVESTING ACTIVITIES				
(88,199)	Purchase of property, plant and equipment		(116,970)	(115,500)	(1,470)
(88,199)	Net cash flows from investing activities		(116,970)	(115,500)	(1,470)
	CASH FLOWS FROM FINANCING ACTIVITIES				
73,756	Equity Investment		114,976	115,500	(524)
-	Surplus Repaid		(1,255,682)	-	(1,255,682)
73,756	Net cash flows from financing activities		(1,140,706)	115,500	(1,256,206)
719,534	**Net increase in cash and cash equivalents**		1,074,514	487,204	587,310
1,183,435	Cash and cash equivalents at beginning of year		1,902,969	1,902,969	-
1,902,969	**Cash and cash equivalents at end of year**	1	**2,977,483**	**2,390,173**	**587,310**

The accounting policies and notes on pages 9 to 27 form part of these financial statements.

Description and Principal Activities

The Ministry of Home and Community Affairs - Community Affairs ("the Ministry") is a Government owned entity as defined by Section 2 of the *Public Management and Finance Law (2013 Revision)* and it is domiciled in the Cayman Islands.

Its principal activities and operations include all activities carried out in terms of the outputs purchased by the Ministry as defined in the Annual Plan and Estimates for the Government of the Cayman Islands for the financial year ended 30 June 2014.

Note 1: Significant Accounting Policies

These financial statements are prepared in accordance with International Public Sector Accounting Pronouncements ("IPSAS") issued by the International federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting. Where additional guidance is required, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board are used.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will impact these financial statements. These financial statements have been prepared on a going concern basis.

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

(a) Basis of Preparation

The financial statements are presented in Cayman Islands dollars and are prepared on the accrual basis of accounting, unless otherwise stated. The measurement base applied to these financial statements is the historical cost basis.

In conformity with the *Public Management and Finance law (2013 Revision)*, the financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) using the accrual basis of accounting. Where there is currently no IPSAS, other authoritative pronouncements such as International Financial Reporting Standards applicable to the public sector have been used. The measurement base applied is historical cost adjusted for revaluations of certain assets.

Note 1: Significant Accounting Policies (Continued)

(a) Basis of Preparation (Continued)

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

The presentation of the prior year financial statements has been changed to include comparison actual amounts with amounts in the original and final budget as required by IPSAS 24 including explanations of material difference between original budget and actual amounts.

The details and presentation of the Statement of Changes in Net Worth has been changed to show greater detail and to reflect changes in accounting policies and corrections of errors and omissions.

Segment reporting has been included in accordance with IPSAS 18.

(b) Reporting Period
The annual reporting period is for the twelve months ended 30 June 2014.

(c) Budget Amounts
The original budget amounts for the financial year are as presented in the 2013/14 Annual Budget Statement and approved by the Legislative Assembly in September 2013.

(d) Judgments and Estimates
The preparation of financial statements is in conformity with International Public Sector Accounting Standards that requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on 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.

(c) Changes in Accounting Estimates
There were no changes in accounting estimates.

Note 1: Significant Accounting Policies (Continued)

(d) 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 of Home and Community Affairs - Community Affairs derive its revenue through the provision of services to Cabinet, to other agencies in government and to third parties. Revenue is recognised at fair value of services provided.

(e) Expenses

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

(f) 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 lease, 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.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in-transit and bank accounts with a maturity of no more than three months from the date of acquisition.

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.

(h) Prepayments

The portion of recognised expenditure paid in advance of receiving services has been recognised as a prepayment and is classified as accounts receivable in these financial statements.

(i) Inventories

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

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

Note 1: Significant Accounting Policies (Continued)

(i) Inventories (Continued)

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

Costs are assigned to inventories using specific identification as appropriate.

The write-down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance in the period when the write-down occurs.

(j) Property, Plant and Equipment

Buildings and structures

Property were revalued as at July 1, 2012 by in-house professionals with the exception of specialized buildings which were contracted to independent evaluators and is stated at revalued amounts less accumulated depreciation. Plant and equipment, is stated at historical cost less accumulated depreciation. Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration, the asset is recognized initially at fair value, where fair value can be reliably determined, and as revenue in the Statement of Financial Performance in the year in which the asset is acquired.

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

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

Depreciation is expensed on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment (other than land); less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated either over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Asset Type	***Estimated Useful life***
• Buildings and structures	10 – 60 years
• Building fit-out (when accounted for separately)	5 – 25 years
• Leasehold Improvement	Over the unexpired period of lease or the useful life of the improvement
• Computer Equipment	3 – 10 years
• Office equipment and furniture	3 – 25 years
• Motor vehicles	3 – 20 years
• Other equipment	5 – 20 years

Note 1: Significant Accounting Policies (Continued)

(j) Property, Plant and Equipment (Continued)

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

Impairment
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the period end. Assets that are subject to amortisation are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts. The recoverable amount is the higher of the asset's fair value less costs to sell and its value for use in service. The Ministry has not tested its assets for impairment in the current year.

Work in Progress
Work in progress items are valued at cost. No depreciation is applied to work in progress items until such time as they are commissioned.

(k) 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 of Home and Community Affairs - Community Affairs are paid to the Public Service Pension Fund and administered by the Public Service Pension Board (the "Board"). Contributions of 12.384% - employer 6.192% and employee 6.192% are made to the fund by the Ministry of Home and Community Affairs - Community Affairs.

Prior to 1 January 2000, the Board operated a defined benefit scheme. With effect from 1 January 2000, the Board continued to operate a defined benefit scheme for existing employees and 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 in excess of amounts that would have been paid under the defined contribution scheme, are centralized in the Government and therefore, reported in the Consolidated Financial Statements for the Entire Public Sector of the Cayman Islands Government.

Note 1: Significant Accounting Policies (Continued)

(l) Financial Instruments

The Ministry of Home and Community Affairs - Community Affairs is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, trade and accounts receivables, trade and other payable, employee entitlements and repayment of surplus all of which are recognised in the Statement of Financial Position.

Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable.

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.

Recognition

The Ministry of Home and Community Affairs - Community Affairs recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets and liabilities are recognised in the statements of financial performance.

Measurement

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

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.

(m) 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. Contingent assets are disclosed if it is probable that the benefits will be realised.

Note 1: Significant Accounting Policies (Continued)

(m) Contingent Liabilities and Assets (including guarantees)

De-recognition

A financial asset is derecognised when the Ministry of Home and Community Affairs - Community Affairs 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 expired.

(n) Foreign Currency

Foreign currency transactions are recorded in Cayman Islands dollars using the exchange rate in effect at the date of the transaction. Foreign currency gains or losses resulting from settlement of such transactions are recognised in the Statement of Financial Performance.

At the end of the reporting period the following exchange rates are to be used to translate foreign currency balances:-

- Foreign currency monetary items are to be reported in Cayman Islands dollars using the closing rate;
- 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
- 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.

(o) Comparative Figures

The presentation of the prior year financial statements has been changed to include a comparison of actual amounts with amounts in the original and final budget. Comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents include cash on hand; bank accounts in the name of the Ministry of Home and Community Affairs - Community Affairs maintained at Royal Bank of Canada; and short term deposits invested with the Cayman Islands Government Treasury. As at 30 June 2014 and 30 June 2013 the Ministry of Home and Community Affairs - Community Affairs unrestricted cash balances were as presented below. No restricted cash balances were held by the Ministry.

Note 2: Cash and Cash Equivalents (Continued)

2012/13 Actual		2013/14 Actual	2013/14 Budget	Variance
80	Cash on hand	287	80	207
1,902,889	Bank accounts	2,977,196	2,390,093	587,103
1,902,969	**Total**	**2,977,483**	**2,390,173**	**587,310**

Explanation of major variance
The actual year-end cash balances were $587,310 above budget due mainly to higher revenue collections with the year-end accounts receivable position representing one month's Cabinet revenue of $555,260 as at June 30th 2014 versus budget accounts receivable Cabinet revenue of two months revenue earnings estimated at $2,390,093.

Note 3: Trade Receivables and Other Receivables
At year end all overdue receivables have been assessed and appropriate provisions made. The provision for doubtful debts has been calculated based on expected losses for the Ministry of Home and Community Affairs - Community Affairs and review of specific debtors. Expected losses have been determined based on an analysis of the Ministry losses in previous periods.

2012/13 Actual		2013/14 Actual	2013/14 Budget	Variance
1,798,534	Outputs to Cabinet	555,260	1,141,527	(586,267)
1,342	Other	4,393	1,342	3,051
1,799,876	**Total**	**559,653**	**1,142,869**	**583,216**

Explanation of major variance
The actual year-end debtors and other receivables balances were lower than the original budget due to cabinet funding receivable being lower than initially projected. The actual cabinet funding receivable was $555,260 which represented one month's cabinet revenue earned but not received by June 30, 2013 which was lower than budgeted receivable by $586,267.

Note 4: Inventories
The carrying amount of inventories held for distribution as at 30 June 2014 was $28,806. There was no write-down of inventories held for distribution. There have been no reversals of write-downs. No inventories are pledged as security for liabilities.

Inventory consists of consumables mainly used for the provision of services. No inventory is held for re-sale.

Note 5: Property, plant and equipment

	Plant and equipment	*Buildings and Leasehold*	*Furniture and Office Equipment*	*Computers*	*Motor Vehicles*	*Other Assets WIP*	*Total*
Cost	*$*	*$*	*$*	*$*	*$*	*$*	*$*
Balance as at 1 July 2013	105,174	5,655,591	279,566	110,763	234,965		6,386,059
Additions		3,255	20,269	30,829	65,337	63,179	182,869
Disposals				(1,905)			(1,905)
Transfers							
Revaluation							
Balance at 30 June 2014	105,174	5,658,846	299,835	139,687	300,302	63,179	6,567,023
Depreciation Expense							
Balance as at 1 July 2013	63,359	2,394,704	186,765	93,888	142,471	0	2,881,187
Depreciation Expense	6,400	146,389	23,515	13,529	25,611		215,444
Balance at 30 June 2014	69,759	2,541,093	210,280	107,417	168,082	0	3,096,631
Net Book value 30 June 2014	35,415	3,117,753	87,811	32,270	132,220	63,179	3,470,392
Net Book value 30 June 2013	41,815	3,260,887	92,801	16,875	92,494	0	3,504,872

Valuation methods

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

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

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

Specialised Assets: specialised assets are those for which no market exists for the current use. Specialised assets are valued using the Depreciated Replacement Cost method (DRC valuation) The definition of 'Depreciated Replacement Cost', as contained in The Standards, is as follows:- "The current

Note 5: Property, Plant and Equipment (Continued)

cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation."

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

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

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

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

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

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

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

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

Note 5: Property, Plant and Equipment (Continued)

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

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

Buildings were revalued as an entire class of asset. The cumulative effect of all revaluations resulted in a cumulative loss of $95,590 on asset revaluation and $105,321 adjusted depreciation expense reflected in the revaluation year ended June 30, 2013.

Note 6: Trade Payables, Other Payables and Accruals

2012/13 Actual		2013/14 Actual	2013/14 Budget	Variance
482,063	Trade payables and accrued expenses	433,296	112,105	321,191
2,140,934	Surplus payable	1,845,757	1,255,681	622,576
2,622,997	**Total**	**2,279,053**	**1,367,786**	**911,267**

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

Under the Public Management & Finance Law (2013) section 39, the Ministry may "retain such part of its net operating surplus as is determined by the Financial Secretary". The Financial Secretary has not confirmed whether the Ministry can retain the surplus achieved during the year and in prior years. During the year, surplus repaid amounted to $1,255,682.

Explanation of major variance
Accounts payable was higher than budgeted due mainly to a surplus payable at the end of the fiscal year totalling $1,845,757 versus budgeted of $1,255,681 to be repaid to core government.

Note 7: Employee entitlements

The leave entitlements in the amount of $128, 137 (2013: $94,273) are calculated based on current salary paid to those employees who are eligible for this benefit.

Explanation of major variance
Employee annual leave entitlement varied against budget due mainly to the inherent nature of employee leave time taken, which will vary throughout the fiscal year and between fiscal years as it is difficult to project exactly when employees will take annual leave.

Note 8: Revenue

2012/13 Actual		2013/14 Actual	2013/14 Budget	Variance
13,670,917	Revenue from Cabinet	13,688,085	13,714,427	(26,342)
203,088	Revenue from Third Parties	159,093	61,486	97,607
13,874,005	**Total**	13,847,178	13,775,913	71,265

Explanation of major variance
Revenue from third parties was $97,607 higher than budget due mainly to donations received that was not budgeted.

The Ministry has a donations contract with Hedge Fund Care Cayman for a donations grant of $65,000 for which the grant cycle runs from May 1, 2014 to April 30, 2015 and is paid in two equal instalments of $32,500 with the first instalment received during the 2013/14 fiscal year and it is anticipated the second instalment will be received by April 30, 2015.

Note 9: Personnel Costs

2012/13 Actual		2013/14 Actual	2013/14 Budget	Variance
8,382,690	Salaries, wages and allowances	8,439,472	8,737,733	(298,261)
1,676,565	Health care	1,636,454	1,888,412	(251,958)
445,969	Pension costs	431,654	490,362	(58,708)
32,873	Other personnel costs	33,864	20,183	13,682
10,538,097	**Total**	10,541,444	11,136,690	(595,246)

Explanation of major variance
Personnel costs were $595,246 below budget due mainly from a delay in recruiting vacant posts and non-recruitment of some posts that were in original budget. The budgeted head count for the 2013/14 fiscal year was approximately 220 persons. However, the average actual number of persons employed during the fiscal year totalled 212.

Note 10: Supplies and Consumables

2012/13 Actual		2013/14 Actual	2013/14 Budget	Variance
342,189	Supplies and materials	404,316	415,645	(11,329)
214,026	Purchase of services	241,486	348,082	(106,596)
598,624	Lease of Property and Equipment	587,979	570,095	17,884
589,910	Utilities	480,241	582,276	(102,035)
183,087	General Insurance	173,011	164,085	8,926
25,725	Travel and Subsistence	20,666	53,450	(32,784)
165,818	Other	222,141	304,094	(81,953)
2,119,379	**Total**	**2,129,840**	**2,437,727**	**(307,887)**

Explanation of major variance
Operating expenses for 2013/14 were $307,887 below budget due mainly to austerity measures undertaken which resulted in significant savings to purchases of services including programme support services, training and travel. In addition, the ministry realized savings in utilities resulting from the relocation of office accommodations across our underlying departments and units.

Note 11: Finance Costs (Bank Overdraft)

Ministry of Home and Community Affairs - Community Affairs did not incur any finance costs during 2013/14 as it did not utilize the facility.

Note 12: Financial Risk Management

The Ministry is exposed to a variety of financial risks including credit risk and liquidity risk. The Ministry's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations (2013 Revision).

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Ministry. Financial assets which potentially expose the Ministry to credit risk comprise cash and cash equivalents and accounts receivable.

The Ministry is exposed to potential loss that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers being financially secure and well managed.

Note 12: Financial Risk Management (Continued)

Credit Risk (Continued)
The Ministry is also exposed to a significant concentration of credit risk in relation to accounts receivables, most of which are due from Cabinet. No credit limits have been established. As at 30 June 2014 no provision for doubtful debts has been made as none of these assets are anticipated to be impaired and management considers these debts to be recoverable in full.

Notwithstanding the concentration risk in relation to accounts receivables, management does not consider the Ministry to be exposed to significant credit risk as it has only one major counterparty (Cabinet) and has had no past experience of any significant default or loss.

The carrying amount of financial assets recorded in the financial statements represents the Ministry's maximum exposure to credit risk. No collateral is required from debtors.

Liquidity Risk
Liquidity risk is the risk that the Ministry is unable to meet its payment obligations associated with its financial liabilities when they are due. The ability of the Ministry to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Ministry in a timely basis. Management manages liquidity risk through monitoring cash flows from debtors, maximizing day's credit taken from suppliers, and if the circumstances required it to obtain funding from Cabinet to temporarily fund any shortfalls. As at 30 June 2014, all of the financial liabilities were due within three months of the year end dates.

Note 13: Financial Instruments – Fair Values
As at 30 June 2014, the forecasted carrying value of cash and cash equivalents, trade and other receivable, work in progress, trade and other payable and employee entitlements approximate their fair values due to their relative short-term maturities. Fair values estimates are made at a specific point in time, based on market conditions and the information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

Note 14: Contingent Liabilities and Assets
There were no contingent liabilities reported for the Ministry of Home and Community Affairs - Community Affairs for the year ended June 30, 2014.

Note 15: Commitments

The Ministry of Home and Community Affairs - Community Affairs has accommodation leases for the premises it occupies at the Royal Plaza, Compass Centre, Cayman Brac Counselling Service Office, Commerce House, and Aqua Mall. The annual leases range from 1 year to 5 years. All The amounts disclosed on the above leased sites are future commitments based on the current rental rates.

	One year or less	One to five Years	Over five Years
Operating Commitments			
Non-cancellable accommodation leases	324,200	1,195,228	-
Total Commitments	324,200	1,195,228	-

Note 16: Revenue from Non-Exchange Transactions

The Ministry receives various services from other government entities for which payment is made by the Cayman Islands Government. These services include but are not limited to accommodation in the central government building, computer repairs and software maintenance by the Computer Services Department and human resources management by the Portfolio of the Civil Service. The Ministry has designated these non-exchange transactions as Services in-Kind as defined under IPSAS 23 – Revenue from non-exchange Transactions. When fair values of such services can be reliably estimated then the non-exchange transaction is recorded as an expense and an equal amount is recorded in other income as a service in-kind. Where services in-kind offered are directly related to construction or acquisition of a fixed asset, such service in-kind is recognised in the cost of the fixed asset.

Actual 2012/13	Description	Actual 2013/14	Budget 2013/14	Variance (Budget vs Actual)
$'000		$'000	$'000	$'000
61,739	Public Works	212,272	-	212,272
108,267	HR and other support services	6,778	-	6,778
170,006	**Total Transfer Revenue**	**219,050**	**-**	**219,050**

Note 17: Related Party and Key Management Personnel Disclosures

Related party disclosure
The Ministry of Home and Community Affairs - Community Affairs is a wholly owned entity of the government from which it derives a major source of its revenue. The Ministry of Home and Community Affairs - Community Affairs and its key management personnel transact with other government entities on a regular basis. Transactions were provided free of cost during the financial year ended 30 June 2014 and were consistent with normal operating relationships between entities and were undertaken on terms and conditions that are normal for such transactions.

2012/13 Actual	Description	2013/14 Actual
376,307	Salaries and other benefits	377,512
3	Number of persons	3

Key Management Personnel
Key management personnel are defined to include Ministers of the Government, Chief Officer, Deputy Chief Officer and the Chief Finance Officer. No loans were offered to key management or their relatives during the year. The Minister of Home and Community Affairs - Community Affairs personnel allowances were paid through the Deputy Governor's Office. All other key management personnel were paid for directly by the ministry.

Note 18: Events Occurring After Reporting Date

The Ministry of Home and Community Affairs - Community Affairs experienced a change in political leadership following the May 2013 General Elections. Effective July 1, 2013, the Ministry was renamed to the Ministry of Home and Community Affairs reflecting the removal of Gender Affairs and Housing. The Honourable Premier Alden McLaughlin has been appointed as Honourable Minister. The Needs Assessment Unit was also established during the 2013/14 fiscal year.

Note 19: Segment Reporting

Nature and Scope of Activities

General Nature of Activities

Administration

- Provide policy advice and administrative support to the Hon. Minister
- Ensure adequate emergency response capacity
- Provide advice, governance and monitor the performance of Boards, Government Companies, and Tribunal under the Ministry
- Provide collaboration with key stakeholders on social issues
- Develop legislation of matters concerning the subjects under the Ministry

The Department of Children and Family Services

- The Department of Children and Family Services exists to encourage and promote self-sufficiency; to advocate, motivate and educate individuals and families, empowering them to realize their full potential thus functioning effectively as members of our society. This will be achieved through the provision of therapeutic services and community based programmes enhanced by ongoing research and in partnership with key stakeholders.
- This is accomplished through the provision of social service to the people of the Cayman Islands including social work services, services to the general adult population, and the elderly and disabled, foster care and adoption services, and the placement of vulnerable children in residential homes.

The Department of Counselling Services

- Provision of Individual, couples, family and group therapy to residents of Grand Cayman requiring assistance with a variety of life challenges
- Provision of Parenting and Family Programmes
- Provision of intensive Substance Abuse Treatment including non-medical withdrawal management, primary residential treatment, and re-entry programme to adult males and females.
- Provision of Driving under the Influence Programme
- Public Awareness Initiatives
- Provision of Policy Advice regarding treatment services and therapeutic interventions.

Needs Assessment Unit

- The Needs Assessment Unit exists to assist citizens that are unable to support their families or themselves due to disability, underemployment, hardship, unemployment or other similar reasons. This is accomplished through the provision of financial assistance to the people of the Cayman Islands.
- Provision and management of a scope of public welfare services, inclusive of poor relief, school lunches, food vouchers and burial assistance.
- Conduct needs assessments for poor relief, medical, temporary assistance and Means Assessments for Maintenance Court.

Scope of Activities

The Department of Children and Family Services

- Provide a full range of social work services to the people of the Cayman Islands through a cadre of qualified staff.
- Provide day and residential care for indigent elderly adults. This includes purchasing services from NGO's.
- Execute duties of the Shelter Operations Sub-Committee of the Hazard Management Council of the Cayman Islands.
- Work in collaboration with the Family Support Unit, Education Department, Health Services and other related agencies.
- Management of adult care facilities operated by the Department.
- Residential care for children with special needs.
- Provision of Community Development services
- The full scope of therapeutic social work interventions required to address the varied child protective, delinquency, and family issues exhibited by the Department's target population.
- Provision of residential care for special needs children
- Adoption, Foster and After-care services
- Services relating to Family Court, Youth Court and Grand Court matters.
- Policy advice relating to the activities and areas of expertise of the Department.
- Celebration of Child Month and attendant activities.

The Department of Counselling Services

- Individual, Couples, Family and Group Therapy
- Comprehensive Clinical assessments and reports.
- Provision of individual, group and family therapy to adolescents, in order to modify or change substance misuse, criminal offending and other at-risk behaviours.
- Intensive primary residential gender specific treatment programmes to address substance abuse.
- Extended programmes to offer continued therapeutic services and support to clients completing the residential programme that require a longer treatment stay.
- Treatment services to participants in Drug Rehabilitation Court.
- Provision of Family Programmes designed to enhance parenting skills and build more nurturing, supportive and stable families.
- Family Intervention and Victim Advocacy
- Provision of psycho-educational and experiential parent programmes to support the personal, social and/or life-skills growth of young parents.
- Public Awareness Campaigns, workshops, presentations, media events, and training sessions designed to increase skills in dealing with drug and alcohol issues including co-occurring disorders, and family and relationship issues including those related to personal growth and development.
- DUI programme – six-week psycho-educational group designed to increase knowledge and awareness around effects of alcohol, and its effect on driving.

Needs Assessment Unit

- Provision and management of a scope of public welfare services, inclusive of poor relief, school lunches, food vouchers and burial assistance.
- Conduct needs assessments for poor relief, medical and temporary assistance.
- Work in collaboration with the Education Department, Health Services and other related agencies.
- Policy advice relating to the activities and areas of expertise of the Unit.

	Ministry Administration	Department of Children and Family Services	Department of Counseling Services	Needs Assessment Unit	Total
Revenue					
Sale of goods and services	1,123,612	7,914,732	3,307,429	1,342,312	13,688,085
Other revenue	310	136,828	14,972	6,983	159,093
Total Revenue	**1,123,922**	**8,051,560**	**3,322,401**	**1,349,295**	**13,847,178**
Expenses					
Personnel costs	970,386	6,255,181	2,359,154	956,723	10,541,444
Other expenses	32,069	1,334,508	735,121	243,585	2,345,283
Total Expenses	**1,002,455**	**7,589,689**	**3,094,275**	**1,200,308**	**12,886,727**
Gain on foreign currency exchange	-	54	-	-	54
Surplus	**121,467**	**461,925**	**228,126**	**148,987**	**960,505**
Current assets	3,116,747	53,721	272,032	123,442	3,565,942
Property and equipment	23,386	2,057,997	1,355,902	33,107	3,470,392
Total Assets	**3,140,133**	**2,111,718**	**1,627,934**	156,549	**7,036,334**
Current liabilities	1,847,188	317,011	191,826	51,165	2,407,190
Total liabilities	**1,847,188**	**317,011**	**191,826**	**51,165**	**2,407,190**
Net Worth	**1,292,945**	**1,794,707**	**1,436,108**	**105,384**	**4,629,144**

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ministry of Home and Community Affairs – Community Affairs, ("the Ministry") as at 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

31 October 2014
Cayman Islands