Sister Islands Affordable Housing Development Corporation



Annual Financial Statements

For the Year Ended 30th June 2012

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Sister Islands Affordable Housing Development Corporation

Statement of Responsibility for the Financial Statements

These financial statements have been prepared by the Sister Islands Affordable Housing Development Corporation (SIAHDC) in accordance with the provisions of the Public Management and Finance Law, (2013 Revision).

As Board of Directors, we are responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorized by law, and properly record the financial transactions of the Sister Islands Affordable Housing Development Corporation. However, the financial records covered a period under which the current Board of Directors did not serve as an oversight body. Therefore, we could not ensure appropriate internal controls were established and maintained throughout the fiscal year and as a result make no representations over the internal controls for the financial year ended 30 June 2012.

We are unable to represent that these financial statements:

(a) Completely and reliably reflect the financial transactions of the Sister Islands Affordable Housing Development Corporation for the year ended 30th June 2012;
(b) Fairly reflect the financial position as at 30th June 2012; and
(c) Comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants. 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.

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Mr. Sidney O. Ebanks
Chairman, on behalf of the Board of Directors

Date:

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of Sisters Islands Affordable Housing Development Corporation

I was engaged to audit the accompanying financial statements of Sister Islands Affordable Housing Development Corporation for the year ended 30 June 2012 which comprise the statement of financial position as at 30 June 2012 and the statement of financial performance, statement of changes in net worth and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 19 in accordance with the provisions of Section 60(1)(a) of the *Public Management and Finance Law (2013 Revision)*.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Management did not make any representations as required by International Auditing Standards (ISA 580) as to whether the statement of financial position, the statement of changes in net worth, the statement of financial performance, and the statement of cash flows are fairly presented and in full conformity with International Public Sector Accounting Standards and applied on a basis consistent with preceding years.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

4 April 2014
Cayman Islands

Sister Islands Affordable Housing Development Corporation

Statement of Financial Position

As at 30th June 2012

(Expressed in CI$'000)

Prior Year Actual	Description	Notes	Current Year Actual	Original Budget	Revised Budget	Variance
	Assets:					
	Current Assets:					
988	Cash and Cash Equivalents	3	38	1,004	1,004	(966)
85	Accounts Receivable	4	85	20	20	65
1	Security Deposits	5	1	0	0	1
1	Prepayments		0	0	0	0
0	Construction-in-Progress	6	998	126	126	872
1,075	**Total Current Assets**		**1,122**	**1,150**	**1,150**	**(28)**
	Non-Current Assets:					
635	Land	7	635	0	0	635
1,710	**Total Assets**		**1,757**	**1,150**	**1,150**	**607**
	Liabilities:					
115	Accruals	8	157	0	0	(157)
115	**Total Current Liabilities**		157	0	0	(157)
1,595	**Total Net Assets**		**1,600**	**1,150**	**1,150**	**450**
	Equity:					
	(Accumulated Surplus)/Retained Earnings					
(215)	At the beginning of the period		(188)	0	0	(188)
27	Surplus/(Deficit) for the year		5	0	0	5
(188)	At the end of the period		(183)	0	0	(183)
1,783	Capital contribution		1,783	1,150	1,150	633
1,595	**Total Owners' Net Worth**		**1,600**	**1,150**	**1,150**	**450**
1,595	**Total Owners' Net Worth**		**1,600**	**1,150**	**1,150**	**450**

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation

Statement of Financial Performance

For the year ended 30th June 2012

(Expressed in CI$'000)

Prior Year Actual	Description	Notes	Current Year Actual	Original Budget	Revised Budget	Variance
	Revenues:					
85	Outputs to Cabinet	9	79	80	80	(1)
1	Interest and other Income	10	1	0	0	1
0	Housing Sales	11	0	1,200	1,200	(1,200)
86	**Total Revenues**		80	1,280	1,280	(1,200)
	Cost of Goods Sold:					
0	Construction Materials	11	0	1,200	1,200	1,200
0	Subcontractor Expenses	11	0	0	0	0
0	Other Construction Costs	11	0	0	0	0
0	**Total Cost of Goods Sold**		0	1,200	1,200	1,200
86	**Gross Profit/(Loss)**		80	80	80	0
	Expenses:					
31	Staff Costs	12	38	58	58	20
6	Rent Expense	13	6	7	7	1
17	Audit Fees	14	19	0	0	(19)
1	Administration & Other Expenses	15	8	6	6	(2)
2	Official Travel	16	1	7	7	6
2	Utilities	17	3	3	3	(0)
59	**Total Expenses**		75	80	80	5
27	**Surplus/(Deficit)**		**5**	**0**	**0**	**5**

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation

Statement of Cash Flows

For year ended 30th June 2012

(Expressed in CI$'000)

Prior Year Actual	Description	Notes	Current Year Actual	Original Budget	Revised Budget	Variance
	Operating Activities:					
27	Surplus/(Deficit)		5	0	0	5
	Adjustments to reconcile surplus/(deficit) to net cash provided by Operating Activities					
(84)	(Increase)/decrease in Accounts Receivable		2	0	0	2
37	Increase in Accruals		43	16	16	27
(20)	Net Cash Provided by Operating Activities		50	16	16	34
	Cash Flow From Investing Activities:					
0	Construction-in-Progress		(1,000)	0	0	(1,000)
0	Net Cash Provided by Investing Activities		(1,000)	0	0	(1,000)
	Reconciliation of Movement in Cash to Cash at End of Period					
(20)	Net Cash Movement		(950)	16	16	(966)
1,008	Cash & Cash Equivalents at Beginning of Period		988	988	988	(0)
988	**Cash & Cash Equivalents at the end of the period**	3	38	1,004	1,004	(966)

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation

Statement of Changes in Net worth

For year ended 30th June 2012

(Expressed in CI$'000)

	Accumulated Surplus	Capital Contributed	Other	Total
Balance as at 1st July 2010	(214)	845	937	1,568
Capital Contribution	0	0	0	0
Surplus/(Deficit) for the Year	27	0	0	27
Balance at 30th June 2011	(187)	845	937	1,595

	Accumulated Surplus	Capital Contributed	Other	Total
Balance as at 1st July 2011	(187)	845	937	1,595
Capital Contribution	0	0	0	0
Surplus/(Deficit) for the Year	5	0	0	5
Balance at 30th June 2012	(182)	845	937	1,600

The accompanying notes form an integral part of these financial statements

Sister Islands Affordable Housing Development Corporation
Notes to the Financial Statements
For the year ended 30th June 2012

(Expressed in CI$'000)

1. Establishment and principal activities

The Sister Islands Affordable Housing Development Corporation (SIAHDC) was incorporated as a non-profit company on 1st June 2006 and is a wholly-owned Government entity.

The main purpose of the organization is to promote affordable home ownership on Cayman Brac and Little Cayman. Two properties are currently owned on Cayman Brac: Watering Place and West End with spaces for 15 homes and 20-30 homes respectively.

The Sister Islands Affordable Housing Development Corporation aims to provide quality concrete construction freehold homes which are owned outright by the successful applicants. The Organization works closely with the Public Works Department and the Ministry of District Administration, Works, Land & Agriculture.

The main office is located at the Avistar Building III, Unit # 48, West End, Cayman Brac and correspondences may be sent to P.O. Box 141, Cayman Brac KY2-2101.

2. Significant accounting policies

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Accounting Standards Board (IASB). The significant accounting policies adopted by the SIAHDC in these financial statements are as follows:

(a) Basis of preparation

The Financial Statements of the SIAHDC are presented in Cayman Islands Dollars and comply with International Public Sector Accounting Standards for the accrual basis of accounting. The measurement base applied is historical cost adjusted for revaluations of assets.

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

Significant accounting policies cont'd

(b) Use of estimates

The preparation of financial statements in accordance with IPSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income and expense during the year. 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 could differ from these estimates.

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

(c) 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 financial statements show comparison of actual amounts with amounts in the original and final budget. Explanations of material differences between original budget and actual amounts are provided as required by IPSAS 24.There were no changes to the accounting policies in 2011/2012.

(d) Budget amounts

The original budget amounts for the financial year are as presented in the 2011/2012 Annual Budget Statement and were approved by the Legislative Assembly. The budget was prepared based on the accrual accounting concept and the going concern basis.

(e) Reporting Period

The reporting period is the year ended 30th June 2012.

Significant accounting policies cont'd

(f) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the financial statement date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the statement of Financial Performance.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(h) Accounts receivable

Accounts receivable are recognized initially at fair value and are subsequently reviewed for impairment. Where there is objective evidence that a debt will not be collected by the SIAHDC according to the agreed terms, a provision for bad debt is established.

(i) Property, plant and equipment/depreciation

In keeping the accounting policies of the Government of the Cayman Islands, who is the sole shareholder, all fixed asset purchases under CI $1,000 are immediately expensed. Property, Plant and Equipment are stated at cost less accumulated depreciation and amortization and any impairment losses.

Depreciation is charged to the statement of Financial Performance on a straight-line basis based on the estimated useful life of the asset.

(j) Revenue recognition

Revenue is recognized at the point the Organization meets the obligations to the purchaser. Revenue from housing sales is recognized at the point of sale.

Significant accounting policies cont'd

(k) Expense

Expenses are recognized when incurred on the accrual basis of accounting. In addition, an expense is recognized for the consumption of the estimated fair value of contributed goods and services received.

(l) Operating lease

Lease payments are recognized as an expense on a straight-line basis over the lease term.

(m) Construction in Progress

This account consists of costs incurred or attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. It is categorized as non-current assets for the actual cost related to each project. When SIAHDC houses are completed, the infrastructure costs will be allocated by parcel.

(n) Land

Land was acquired from the Government at no cost and is recorded at fair market value at the date of acquisition.

(o) Employee Benefits

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognized in the Operating Statement 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 SIAHDC are paid to the Silver Thatch Pension Fund and administered by the Silver Thatch Pension Board.

Silver Thatch Pensions is governed by a board of trustees who appoint agents to handle administration. Saxon Pensions are the Client Services Agent and Coutts Cayman are the Investment Managers.

Significant accounting policies cont'd

(p) Financial Instruments

i. 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 favorable or an equity instrument of another enterprise. Financial assets are comprised of cash and cash equivalents and prepayments.

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 unfavorable. Financial liabilities are comprised of accounts payables and accrued expenses.

ii. Recognition

The Sister Islands Affordable Housing Development Corporation recognizes 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 or liabilities are recognized in the statement of Financial Performance.

iii. 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.

iv. De-recognition

A financial asset is derecognized when the Sister Islands Affordable Housing Development Corporation realizes the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognized when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Significant accounting policies cont'd

(q) Provisions and Contingencies

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed when there is a possible obligation or present obligation that may, but probably will not, require an outflow of resources. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

(r) Subsequent events

Post year-end events that provide additional information about the Sister Islands Affordable Housing Development Corporation's position at the balance sheet date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

3. Cash and Cash Equivalents

The Corporation maintains bank accounts at Cayman National Bank. As at 30th June 2012, the following balances were held:

Prior year 30th June 2011		Current Year 30th June 2012
CI$'000		CI$'000
5	Operating accounts	38
983	Fixed Deposit	0
988	**Cash & Cash Equivalent**	**38**

No restricted cash balances were held by SIAHDC as at 30th June 2012.

4. Accounts Receivable

As at 30th June 2012, the SIAHDC had accounts receivable of $85,000 unchanged from 2010/2011. See ***Note 9 –Outputs to Cabinet***.

5. Security Deposits

The SIAHDC entered into a rent agreement for accommodations (See ***Note 13- Rent Expense***). A $500 rent deposit was paid over to the Landlord, an amount which is refundable upon vacating the premises or the agreement coming to an end. Included in security deposits is an amount paid over to Cayman Brac Power and Light for meter deposit and the supply of electricity.

6. Construction in Progress

At the end of 2011/12, the value of these works amounted to $998,000 (2010/11: NIL).

7. Land

The following properties were vested with the Sister Island Development Corporation by the Cayman Islands Government for nil consideration.

Block/Parcel	Sq. ft.	Acre	Value
96E 51	1,785,960	41	$ 266,500
106E 44	17,424	0.4	30,000
106E 48	4,356	0.1	5,000
106E 49 REM 1	1,742	0.04	-
106E 103	33,541	0.77	45,000
106E 141	219,542	5.04	285,000
106E 175	10,019	0.23	15,000
Total	**286,624**	**6.58**	**$646,500**

The land transferred were part of the 41 acres at Block 96E Parcel 51. The present carrying value for land is therefore $634,562 ($646,500 – $11,938).

8. Accruals

This amount represents the provision for audit fees due to the Office of the Auditor General as agreed under the engagement letter for the years 2006/07 through to 2011/12 as shown below:

Financial Year	Fees Amount
2006/07	$ 19,000
2007/08	$ 15,000
2008/09	$ 22,000
2009/10	$ 21,000
2010/11	$ 17,000
2011/12	$ 19,000
Total	**$ 113,000**

In addition SIAHDC made accrual of $44,000 with respect to other outstanding operational and construction costs.

9. Outputs to Cabinet

The SIAHDC provides general management and administration of affordable housing for the Cayman Islands Government. These services are based on terms outlined in the Annual Purchase Agreement. In accordance with that agreement, $79,000 was earned during the 2011/12 fiscal year (2011:85,000).

10. Interest Income

The Corporation receives interest on fixed deposit accounts held at Cayman National Bank. For the year ended 30th June 2012, SIAHDC earned a total of $563 from fixed deposits.

11. Housing Sales

The Sister Islands Affordable Housing Development Corporation earns income by selling the houses it produces. During the 2011/12 fiscal year, no houses were sold.

12. Staff Costs

SIAHDC had no fulltime employee for the year ended 30th June 2012. The staff costs are laid out as follows:

Prior year **30th June 2011** CI$'000		Current Year **30th June 2012** CI$'000
25	Basic Salary	25
1	Government Pension Contribution	3
5	Employee Health Care	10
31	TOTAL	**38**

13. Rent Expense

The corporation is subject to a lease agreement with the UCCI (Brac Campus). The details of that agreement entail a monthly payment of $500.00. This agreement, which covers the rental of office space, is an operating lease as defined by International Public Sector Accounting Standards.

14. Audit fees

The SIAHDC incurred $19,000 with respect to audit fees as agreed in the annual engagement letter with the Office of the Auditor General. Refer to ***Note 8- Accrual.***

15. Administration & Other Expenses

SIAHDC has expenses related to the administration and day to day running of the Corporation. These expenses are detailed below:

30th June 2011		30th June 2012
CI$'000		**CI$'000**
(0)	Professional fees	6
0	Janitorial services	1
1	Office supplies	0
0	Advertising	1
1	TOTAL	**8**

16. Official Travel

This represents the cost of inter-island travel, training and travel related accommodation.

17. Utilities

The following amounts were charged to the utilities account for the fiscal year:

Prior year 30th June 2011		Current Year 30th June 2012
CI$'000		**CI$'000**
1	Electricity	1
1	Telephone Charges	1
2	TOTAL	2

18. Related Party Transactions

SIAHDC is a wholly government company from which it derives a major source of revenue through the process of Output Funding. Key management personnel transact with other government departments and entities on a regular basis.

The SIAHDC also periodically engages the services of other government departments of the Cayman Islands Government. Such services are provided at prevailing market prices on an arm's length basis. Services to the value of NIL were provided to other Cayman Islands Government departments during 2011/12.

Due to the uniqueness and design of the SIAHDC operations, SIAHDC relies on the Board of Directors. The Directors offer their services through the Board and Committee meetings. These services are provided free of charge.

During the year end 30th June 2012, the Board of Directors failed to make formal declarations of their interest as required by the Public Management and Finance Law (2012) as well as generally accepted accounting practices.

Key Management personnel

No loans were made to key management personnel during the year.

19. Comparison of Budget to Actual

The 2011/12 Annual Accounts was prepared on a basis consistent with the 2011/12 Budget. The budget covers the fiscal period from 1st July 2011 to 30th June 2012.

The original budget was approved by the Legislative Assembly. There were no supplementary changes to the budget for the SIAHDC during the 2011/12 financial year.

The difference in planned expenditures of $80,000 vs. actual expenditures of $75,000 was primarily due lower levels of activity during the 2011/12.

The positive variance in the planned financial position was primarily due to the value of land exceeding the budget by $635,000 as at 30th June 2012.