

Report of the Auditor General
on the Audits of the Financial Statements of
the **Consolidated Fund** of
the **Government of Bermuda**
for the years ended
March 31, 2013, March 31, 2014, March 31, 2015
and **March 31, 2016**

February 28, 2018

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the **Consolidated Fund** of
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March 31, 2015 and March 31, 2016**

February 28, 2018



OUR MISSION

**The mission of the Office of the Auditor General,
derived from its legislative mandate, is
to add credibility to the Government's financial reporting and
to promote improvement in the financial administration
of all Government Ministries, Departments and all other entities
for which the Government is accountable to Parliament.**



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.bm

The Honourable Dennis P. Lister, JP, MP
Speaker of the House of Assembly
Bermuda

Sir:

In accordance with Section 101(3) of the Bermuda Constitution Order 1968 and Section 10 of the Audit Act 1990, I have the honour to submit herewith my Report on the Audits of the Financial Statements of the Consolidated Fund of the Government of Bermuda for the years ended March 31, 2013, March 31, 2014, March 31, 2015 and March 31, 2016.

Respectfully submitted

Heather Thomas, CPA, CFE, CGMA
Auditor General

Hamilton, Bermuda
February 28, 2018

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1. INTRODUCTION

1.1 Background

The Consolidated Fund is the general operating fund of the Government of Bermuda (“Government”) which records the financial transactions of the Senate, the House of Assembly, all Government departments, offices and courts. It is into this fund that taxpayers pay revenue such as payroll tax, customs duties, company fees and land tax. Government uses this revenue to pay for its many programmes such as health, education, public safety, financial assistance, infrastructure and public transportation.

The preparation of the financial statements of the Consolidated Fund is the responsibility of the Accountant General (“ACG”) within the Ministry of Finance. The ACG is responsible for the accurate and timely preparation as well as the fair presentation of the financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada. The ACG is also responsible for implementing internal controls which are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

These responsibilities are enshrined in the Public Treasury (Administration and Payments) Act 1969 and subsequent amendments which provides the legislative authority for the Minister of Finance to manage Government finances and authorizes the ACG to prepare the annual accounts.

The role of the Auditor General, as set out in the Audit Act 1990, is to express an opinion on the financial statements based on the audit thereof. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected during the audit depend on professional judgment and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the audit considers internal controls relevant to the preparation and fair presentation of the financial statements. This is done to design audit procedures that are appropriate in the circumstances, not for the purpose of expressing an opinion on the effectiveness of internal controls.

In addition to these procedures, an audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

For each financial year covered by this report, the audit of the Consolidated Fund financial statements was conducted in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

Reasonable assurance is neither absolute assurance nor a guarantee that the financial statements are completely free from material error. Due to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion), even though the audit is properly planned and performed.

1.2 General Comments

This report includes the results of audits of the financial statements of the Consolidated Fund for the years ended March 31, 2013, 2014, 2015 and 2016. It should be noted that the Auditor's Report for the years ended March 31, 2013, 2014 and 2015 were signed by my predecessor Auditor General, Mrs. Heather A. Jacobs Matthews, JP, FCPA, FCA, CFE. I was responsible for the Auditor's Report for the year ended March 31, 2016.

The Auditor's Reports referred to above each expressed the Auditor General's unqualified opinion that the financial statements of the Consolidated Fund of the Government of Bermuda for the year being audited presented fairly, in all material respects, the financial position of the Consolidated Fund as at the year end, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Notwithstanding the unqualified audit opinions, the following matters of special importance which are relevant to all four years of audit are described in Section 2:

- Summary financial statements for the whole of Government;
- Borrowing and the plan to reduce the deficit and public debt;
- Pension and other employee future benefits;
- Taxpayer indebtedness to Government;
- Spending within Parliamentary limits;
- Complying with Financial Instructions and related rules; and
- Other relevant reports on Government administration.

An important part of the audit process is discussing our observations and recommendations with the ACG and other stakeholders. Our key observations and recommendations to the ACG are presented in Section 3 of this report and my commentary on the key indicators of the financial condition of Government's Consolidated Fund is included in Section 4.

1.3 Parliamentary Standing Committee on the Office of the Auditor General

The Parliamentary Standing Committee on the Office of the Auditor General is a bipartisan committee established under the Rules of the House of Assembly. It is tasked with the responsibility of ensuring that the Office of the Auditor General has the necessary resources to carry out its mandate. On an annual basis, I present my annual budget to the Committee for its consideration.

The members of the Committee are:

| | |
|---|--|
| Ms. Renee D. L. Ming, JP, MP Chairperson | Member of Parliament |
| Mr. Neville S. Tyrrell, JP, MP | Member of Parliament |
| Mr. Dennis Lister, Jr., III, MP | Member of Parliament |
| Ms. Leah K. Scott, JP, MP | Deputy Opposition Leader and Shadow Minister of Tourism & Transport |
| Mr. Sylvan D. Richards, Jr., JP, MP | Shadow Minister of Planning, Environment & Parks |
| Mr. Clark Somner | Deputy Clerk to the Legislature, and Clerk to the Committee |

1.4 Parliamentary Standing Committee on the Public Accounts

The Public Accounts Committee (“PAC”) is a Parliamentary committee appointed for the duration of the life of Parliament and is chaired by a member of the Opposition.

The PAC’s mandate is to examine, consider and report on “the accounts showing the appropriation of the sums granted by the Legislature to meet the public expenditure of Bermuda” and the report of the Auditor General on those accounts. The PAC also reports on “any accounts as may be referred to the Committee by the House”.

After the audited financial statements of the Consolidated Fund and the Auditor General’s Audit Report thereon are tabled, the PAC reviews them. During its review, the PAC may make any inquiries and request the appearance of any person to address significant concerns. At the end of the process, the PAC issues a Report to the House of Assembly which typically requires the Minister of Finance to respond to recommendations therein.

The members of the Committee are:

| | |
|---|---|
| The Hon. Patricia J. Gordon-Pamplin, JP, MP, Chairperson | Shadow Minister of Home Affairs |
| Mr. N. H. Cole Simons, JP, MP | Shadow Minister of Education & Workforce Development |
| Ms. Susan E. Jackson, JP, MP | Opposition Whip and Shadow Minister of Health |
| Mr. Neville S. Tyrrell, JP, MP | Member of Parliament |
| Mr. Dennis Lister III, JP, MP | Member of Parliament |
| Ms. Renee D. L. Ming, JP, MP | Member of Parliament |
| Mr. Scott A. Simmons, JP, MP | Member of Parliament |
| Mr. Clark Somner | Deputy Clerk to the Legislature and Clerk to the Committee |

1.5 Acknowledgements

In order to achieve our mandate, we work with many individuals in various departments as well as our committees. I acknowledge with thanks their ongoing co-operation and assistance.

I also express my sincere appreciation for the work and professionalism of my staff, without whose dedicated efforts I would have been unable to discharge my legislative responsibilities. This has been a year of challenges – and opportunities – for our office, our clients, and for us as audit practitioners; there has never been a more exciting time to be doing what we do.

Finally, I would be remiss if I did not thank Mrs. Heather A. Jacobs Matthews for her years of service as the Auditor General of Bermuda. Her dedication and passion for her role and her country are an inspiration.

Hamilton, Bermuda
February 28, 2018

Heather Thomas, CPA, CFE, CGMA
Auditor General

2. MATTERS OF SPECIAL IMPORTANCE

2.1 Overview

The matters of special importance discussed in this section of the report remain very similar to those covered in our report on the Consolidated Fund of the Government of Bermuda for the Financial Years ended March 31, 2010, March 31, 2011 and March 31, 2012 (“our previous report regarding the Consolidated Fund”). This, along with the fact that the indicators of financial condition set out in section 4 of this report show that the financial condition of the Consolidated Fund continues to deteriorate, causes me concern.

The matters of special importance show that Government is making decisions without knowing the combined financial position of all the organizations that make up the Government. It is not providing the House of Assembly or the public the analytical information that would help them understand Government’s financial statements and its financial condition.

There are no effective long-term plans for reducing the annual and accumulated deficits or the associated debt, the unfunded liabilities of its major pension plans or the size of taxpayer indebtedness, all of which continue to grow unsustainably.

Consequently, the resources available to carry out Government programmes effectively are predictably being impacted by increasing debt servicing costs. Government needs to be clear about how its goals and priorities will be affected by fewer resources and also needs to ensure that the reduced resources are aligned in a way that maximizes their effectiveness and has the least impact on the quality of its service delivery.

Each year of inaction exacerbates the problems. The problems are serious. In my view, Government should make getting to grips with the debt and the deficit its highest priority.

I comment below (Section 2.8: Other relevant reports on Government administration) on the results of the work of the Spending and Government Efficiency (“SAGE”) Commission and the recent Commission of Inquiry into matters raised in our previous report regarding the Consolidated Fund. The Commissions’ reports contain many recommendations that speak to the above issues. I encourage the Government to consider them carefully.

Some may say that by my comments here I am entering the political arena. This is not the case and is certainly not my intention. What I am pointing out is that, regardless of the party in power, action – significant and substantial – is required to improve the financial condition of the country. The specific plans, policies, goals, programmes and resource allocations are those for the Government of the day to decide and the Legislature and the public to debate.

2.2 Summary financial statements for the whole of Government

In addition to the Consolidated Fund, Government business is transacted through other public funds and Government-controlled organizations such as the Bermuda Housing Corporation and the Bermuda Land Development Company Limited.

Government's financial statements do not currently consolidate the results of these organizations with the Consolidated Fund. Consolidating these funds and organizations with the Consolidated Fund would mean that each organization's assets, liabilities and operating results would be incorporated into a set of summary financial statements that show the operating results and the financial position of the whole of Government.

Canada's Public Sector Accounting Board establishes standards of disclosure, which should be followed by Governments. Those standards have been accepted by the Chartered Professional Accountants of Bermuda (formerly the Institute of Chartered Accountants of Bermuda) and are therefore generally accepted in Bermuda.

The Standard on Financial Statement Objectives (PS 1100) states that Government financial statements should: "*provide an accounting of the full nature and extent of the financial affairs and resources which the Government controls, including those related to the activities of its agencies and enterprises.*"

The standards also state that:

- *Government financial statements should consolidate the financial statements of organizations comprising the Government reporting entity, except for Government business enterprises; and*
- *The Government reporting entity should comprise the organizations that are controlled by the Government.*

The inclusion of various funds and organizations in the Government reporting entity is primarily based on the criterion of control. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss accruing to the Government from the other organization's activities. In essence, if Government can control an organization, whether actual or implied, the organization's results should be included in the Government reporting entity. Various Government funds and organizations (many of which will be included in the Government reporting entity) are listed in Appendix 1.

Until summary financial statements are presented, there is a risk that those reading and relying on the financial statements of the Consolidated Fund may mistakenly view them as the consolidated financial statements of the whole of Government. More importantly, the public is not provided with full disclosure regarding the accumulated deficit or surplus of its Government.

As a result of this failure to conform to the standards of disclosure generally accepted in Bermuda, the following explanatory paragraph was included in the Auditor's Report on the Consolidated Fund's financial statements for the years ended March 31, 2013, 2014, 2015 and 2016:

As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not summary financial statements of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund. As such, the financial statements of the Consolidated Fund do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.

In the absence of summary financial statements for the whole of the Government of Bermuda, I am of the opinion that the financial statements of the Consolidated Fund are intended and used to represent for all practical purposes the financial position of the Government of Bermuda and the results of its operations, changes in its net debt and its cash flows. As such, in my opinion, the accounting policies used to prepare these financial statements are inappropriate to present fairly the financial position of the Government of Bermuda and the results of its operations, changes in its net debt and its cash flows.

In the previous report regarding the Consolidated Fund, it was recommended that Government should prepare and issue summary financial statements for Government as a whole. To enable this, it was recommended that the Accountant General should develop a concrete, achievable and resourced plan.

The Ministry of Finance response stated that it agreed and was “*working towards the preparation of consolidated summary financial statements*”.

In 2014, the Public Treasury (Administration and Payments) Amendment Act 2014 (the “Act”) was enacted. The Act directs the Accountant General to prepare consolidated financial statements including the accounts of all Government departments and public authorities.

The Act states that the consolidated financial statements “shall be prepared in accordance with the reporting standards adopted by the Accountant General and based on the Public Sector Accounting Standards set by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada”. It also requires the Auditor General to examine and prepare a report in writing on the consolidated financial statements (i.e., to audit them).

This legislation could be an important step forward. However, the legislation also provides that the Minister shall decide the date or dates that the provisions of the Act come into operation. Three years after the enactment of the legislation, no such dates have been announced.

In his March 2017 statement to the House of Assembly regarding the Government's Consolidated Fund financial statements for the year ended March 31, 2016, the Minister of Finance stated: "progress is being made on [preparing summary financial statements for the Bermuda Government], but it should be emphasised that consideration must be given to resources, accounting systems, management roles and other factors that are critical in the accomplishment of this task".

I understand and agree that moving to summary financial statements is a complex task. Government organizations are not homogeneous and dedicated resources will be required to complete the task in a reasonable time. However, in my view, it is absolutely essential that summary financial statements showing the results of operations and the financial position of the whole of government be available to support the hard decisions necessary to bring the debt and the deficit under control. Only if Government's financial statements account for the full nature and extent of the financial affairs and resources which the government controls can the citizens of Bermuda begin to understand and assess the management of the public financial affairs and resources entrusted to the Government.

Consequently, I have given notice to the Minister of Finance, unless during the financial year for the year ending March 31, 2018, (a) the Minister establishes the dates when the provisions of the Public Treasury (Administration and Payments) Amendment Act 2014 pertaining to the production and audit of full consolidated financial statements for the Government of Bermuda will come into operation and (b) I am provided with a concrete, achievable and resourced plan that addresses production of summary financial statements for the Government of Bermuda for the year ending March 31, 2019, I will, starting with the Consolidated Fund financial statements for the year ending March 31, 2018, expand the paragraph in my Auditor's Report to stress that the financial statements of the Consolidated Fund are deficient because they do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.

Recommendation No. 1:

The Government should prepare and issue summary financial statements for the Government as a whole, starting with the year ending March 31, 2019. To enable this, (a) the Minister of Finance should establish the dates when the provisions of the Public Treasury (Administration and Payments) Amendment Act 2014 pertaining to the production and audit of full consolidated financial statements for the Government of Bermuda will come into operation, and (b) the Accountant General should develop a concrete, achievable and resourced plan.

Ministry of Finance Response

The Ministry agrees there are benefits to issuing consolidated financial statements and will provide the Auditor with an appropriate plan during the financial year for the year ending March 31, 2018.

2.3 Borrowing and the plan to reduce the deficit and public debt

In order to finance its annual operating deficits, replace maturing debt and acquire capital assets, Government has borrowed money from various lenders. The accumulated deficit and the related debt continue to grow.

The accumulated deficit as at March 31, 2016, has grown to \$2.74 billion, up by \$1.47 billion (116.8%) in the five years then ended. The borrowing and, more specifically, the public debt and net debt amounted to \$2.22 billion and \$3.48 billion respectively, at March 31, 2016. The legislated borrowing limit was last increased in the 2012/13 financial year and currently sits at \$2.5 billion. The interest bearing debt resulted in interest costs of \$116.2 million for the year ended March 31, 2016, close to 10% of the total expenses of the Consolidated Fund.

Reflecting an increasing level of debt and public concerns regarding its sustainability, in the previous report regarding the Consolidated Fund, it was recommended that Government should establish and communicate a plan to reduce the deficit and level of public debt.

In its response, the Ministry of Finance stated that:

The Government has announced the implementation of a medium term expenditure framework (MTEF). The full implementation of a MTEF involves the introduction, from the 2014/15 budget cycle of rolling three-year budget and forward estimates to establish hard multi-year budget ceilings for each Ministry. To achieve the Ministry of Finance's strategy for fiscal consolidation (i.e. deficit reduction) the Ministry set an ambitious target of cost savings on current account expenditure of 15%, in real terms, to be achieved by the end of three years. The 2015/16 fiscal year represents the second year of the MTEF. The other part of this strategy is to enhance revenue through policies that generate income from economic growth and other revenue streams. This will enable the Ministry of Finance to begin to fulfill its commitment to changing the trajectory of deficits and debt over the medium-term.

The MTEF concept was partially adopted but the Government never did roll out a multi-year program of estimates. As section 4.1.6 of this report shows, there has been a small downward trend in Consolidated Fund expenses over the five-year period ended on March 31, 2016. For example, the 2015/16 Consolidated expenses of \$1,176 million were 6.5% less than the 2011/12 expenses of \$1,257 million. Professional services and pension and retirement benefits has contributed to this expense reduction.

The then former Minister of Finance had concurred that the debt and deficit needed to be reduced, commenting in his March 10, 2017, statement to the House of Assembly regarding the Government's Consolidated Fund financial statements for the year ended March 31, 2016:

“The level of debt . . . is not only unsustainable but economically and fiscally imprudent and the Government has already committed to intensify our efforts and determination to eliminate the government deficit, and eventually pay down on our debt”.

Unfortunately, the indicators of financial condition show that aside from better control of spending in relation to legislated limits, the financial condition of the Consolidated Fund is not improving.

There needs to be an immediate long-term strategic plan developed (and circulated Government-wide) to provide a roadmap as to how revenues may be increased, how expenditures can be reduced, what levels of service may be expected and how the infrastructure of Government could be improved to support its long-term goals. The focus of the strategic plan should be not only on adapting to the current and future environments but also on providing a road map for influencing the future.

Recommendation No. 2:

To ensure the sustainability of public services, Government should develop as soon as possible a long-term strategic plan to reduce the deficit and the level of public debt, aimed not only at adapting to the current and future economic environments but also at influencing those environments.

Ministry of Finance Response

In successive Budgets, the former Government clearly presented its fiscal strategy to eliminate the deficit and start paying down on the debt. In the 2017/18 Budget Statement, after explaining the threat posed by the size of the national debt the former Minister of Finance said:

“These are the reasons that the OBA Government has set eliminating the annual deficit, balancing the budget and paying down the national debt as its top priority. Pursuing this objective has framed all the budgets this Government has presented during its tenure, and it shapes this 2017/18 Budget as well. The elimination of these risks involve cutting spending, stimulating job-creating economic growth and increasing revenues where and when necessary”.

The 2017/18 Budget Statement also stated the following:

The 2016/17 budget put in place a three-year plan to balance the budget. Some underestimate the importance of balancing a budget; but a balanced budget is the only way to ensure long-term prosperity for Bermudians. Government believes eliminating the deficit is the single most important step we can take to grow the economy and create jobs. It reinforces our credit rating, supports lower interest payments, and stimulates greater consumer and investor confidence. It strengthens our ability to respond to the unavoidable and unforeseen in an unstable world.

Government has been making good progress in its efforts to eliminate the deficit. The results show that at the end of the 2017/18 fiscal year the Current Account is projected to record its third straight annual surplus before debt service. In fact, the surplus will cover 96% of the interest charges. Also from 2013/14 to 2015/16 the total deficit has been reduced from \$299 million to \$162 million representing a reduction of \$137 million or 46%.

2.4 Pensions and other employee future benefits

2.4.1 Public Service Superannuation Fund, Ministers and Members of the Legislature Pensions Fund and the Government Employees Health Insurance Fund

The Public Service Superannuation Fund (“PSSF”) provides pensions for retired Government and quango employees. The Ministers and Members of the Legislature Pensions Fund (“MMLPF”) provides retirement pensions for the ministers, members and officers of the Legislature. In addition to the pension plans, the Government Employees Health Insurance Fund (“GEHI”) provides health insurance benefits for Government employees, Ministers and Members of the Legislature and their dependents.

Legislation relating to the PSSF and the MMLPF provides that, if at any time the funds accumulated to pay pensions are insufficient, the deficiency will be made up by the Consolidated Fund.

An unfunded liability exists when the benefits to be paid out exceed amounts available to pay. The unfunded liability is therefore the amount of pension benefits which have been earned by current and former employees net of the value of assets held to pay for those benefits.

At March 31, 2016, the combined unfunded liability for the PSSF, the MMLPF and the GEHI stood at \$1.3 billion, as shown in Table 1 below. The unfunded liability is recognized in the Consolidated Fund financial statements, which has a significant negative effect on the Fund's statement of financial position. It should be noted that in the year ended March 31, 2014 there was a \$214.1 million credit resulting from the cost of living adjustment being removed for both current and future pensioners for the PSSF and the MMLPF (\$432.7 million) offset by net unamortized experience losses (\$173.5 million) and past service costs in the GEHI (\$45.1 million).

Table 1: Unfunded liability – pension/health plans

| \$ millions | | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| As at March 31, | | | | | | |
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Unfunded liability: | | | | | | |
| PSSF | 779 | 863 | 954 | 797 | 834 | 873 |
| MMLPF | 21 | 23 | 23 | 18 | 18 | 19 |
| GEHI | 216 | 240 | 262 | 331 | 398 | 436 |
| Total unfunded liability | 1,016 | 1,126 | 1,239 | 1,146 | 1,250 | 1,328 |

In the previous report regarding the Consolidated Fund, it was recommended that Government should establish and communicate its plan to address the unfunded liability of the plans. In its response, the Ministry of Finance stated that:

- (a) *PSSF contribution rates had been increased from 5% to 8% and 9.5% for regular members and uniformed officers respectively;*
- (b) *in 2012, the Ministry commissioned an actuarial review of the PSSF to ensure the future sustainability of the Fund;*
- (c) *a Pension and Benefits Working Group had been established to review all public sector pension plans, and make recommendations to Cabinet in order to ensure the sustainability of these plans and benefits; and*
- (d) *reviews of the GEHI Plan were also being conducted in order to ensure the sustainability of this plan.*

In 2014, the Pensions (Increase) Amendment and Suspension Act 2014 (the “Act”) was enacted. The purpose of the Act was to remove from the PSSF and the MMLPF the cost of living adjustment for both current and future pensioners until such time as the sustainability of the plans has improved. This change had the impact of reducing plan liabilities by \$432.7 million. This reduction, along with some increases in liabilities, was recognized in the Consolidated Fund financial statements for the year ended March 31, 2014, as discussed above.

Furthermore, for the last four years, in his statement to the House of Assembly accompanying the tabling of the annual Consolidated Fund financial statements, the former Minister of Finance had stated that “the Government has already started the review of these benefits to ensure their sustainability”.

However, in the five years ended March 31, 2016, the total net unfunded liability of the PSSF, the MMLPF and the GEHI increased by \$0.31 billion (approximately 30.7%).

In “The Way Forward: An Operating Plan for the Bermuda Public Service” issued in May 2017, strategy 2.8 states to “Review pension arrangements to determine whether public and private pensions are set at appropriate levels”.

This would indicate that either the work promised by the Ministry of Finance did not materialize or the results of the work have not had the desired impact.

Recommendation No. 3:

Government should establish and implement a long-term plan to address the unfunded liabilities of the Public Service Superannuation Fund, the Ministers and Members of the Legislature Pensions Fund and the Government Employees Health Insurance Fund.

Ministry of Finance Response

As mentioned above the Government has already started to take actions to ensure the future sustainability of the public pension and health insurance plans. There is no simple remedy to resolve the unfunded positions of the public sector pension and health insurance plans. As previously advised, to assist with the review of these pension plans, a Pension and Benefits Working Group (PBWG) has been established. The purpose of the PBWG is to review all public sector pension and health insurance plans, and make recommendations to Cabinet in order to ensure the sustainability of these plans and benefits in a manner that is responsible and fair to both the pensioners and members of the plans and Bermuda taxpayers. Following these reviews, various general policy recommendations are being considered and the Government will again take the required actions to ensure the future sustainability of the Fund. However, it should be noted that some of these recommendations involve substantial cost-shifts away from the government to employees, those already retired and to future retirees and are potentially material to an individual's long-term financial plans. Therefore, it is proposed that some proposals be phased in. Also it is critically important that consultation is conducted with the various stakeholders, specifically the unions, before any changes are made. As soon as consultation is completed and Cabinet approval obtained, the relevant information on this matter will be communicated to the public.

Finally, it is important to note that to achieve sustainable solvency, it is not necessary that all accrued benefits be fully funded. Research of the funding statuses of regional and international public service pension plans indicate that there is no internationally prescribed funding level. For instance, most of the Caribbean Community (CARICOM) countries and the UK generally have pay-as-you-go government sponsored occupational pension plans that are paid out of their Consolidated Funds. Accordingly they are unfunded. In contrast, various government-sponsored occupational pension plans of Canadian provinces are either fully funded or close to fully funded.

2.4.2 Contributory Pension Fund

The Contributory Pension Fund (“CPF”) provides old age pensions, disability and death benefits for the general workforce. The Contributory Pensions Act 1970, the governing legislation for the CPF, does not require the Consolidated Fund to provide for any shortfall if, at any time, the CPF has insufficient funds to meet its current legislated obligations.

According to the latest audited financial statements for the CPF, “the sustainability of a national social insurance scheme is customarily based on the adequacy of the current and projected contribution rate to provide for future benefits. Funding of the Scheme is on a pay-as-you-go basis, where essentially contributions of the current workforce are used to meet the obligations to the current beneficiaries”.

Since the CPF cannot rely on the Consolidated Fund to meet its pension obligations, it is essential that the CPF is well managed.

The SAGE Commission (see section 2.8.1) focused in part on the CPF. It concluded that the-then current contributions were insufficient to allow the CPF to survive for the foreseeable future, under the current long-term assumptions.

It also found that demographic projections regarding expected lifespans of pensioners (aged 65 and over) were not current and so did not reflect the increased lifespans experienced in many of the Organisation for Economic Co-operation and Development (OECD) countries that had resulted in retirement ages being increased over time to 68 and beyond.

The Commission recommended that the-then current annual increase in the contribution rate of 1.75% per year above any benefit increase rate be changed to an increase in contribution rates of at least 3% above any benefit increase for a number of years. In addition, it recommended the establishment of a specific strategy to increase the retirement age for the CPF to 68 consistent with other OECD countries.

Subsequent to the SAGE Commission report, an actuarial review as at August 1, 2014, was carried out by Morneau Shepell Ltd, a Canadian company. The review, which was completed in May 2016, presented the financial status of the CPF and provided projections of the CPF for the next 50 years to 2064.

The review's main findings and projection results were:

- *The CPF was projected to increase gradually until 2021 then decline steadily until it was exhausted in 2049 under the best estimate scenario.*
- *The total outflow (including Old Age Pension benefits, other benefits, and administration and investment costs) were projected to exceed contribution income throughout the projection period. By the year 2064, contribution income would need to be about 1.25 times the current level in real terms in order to match the increased benefit outflow. This would require contributions to be increased by about 2.4% a year more than benefit increases over the next 50 years.*
- *If contributions were to increase by 3% more than benefits with future real returns of 4% a year, the CPF was projected to be sustainable throughout the projection period. Under scenarios of higher real investment returns and lower contribution rate increases, the CPF was not sustainable in the long term.*
- *If the contributing population was increased by 10% from 2014 and sustained at these levels thereafter, this was expected to extend the life of the CPF for the entire projection period. For a 10% decrease in the number of contributors, the CPF would run out 6 years earlier.*
- *An increase in the retirement age to 67 over a 5 year period ending 2023, all else unchanged, could also result in a sustainable CPF over the projection period.*
- *The total number of beneficiaries over age 65, taking into account the impact of non-Bermudians, was expected to increase steadily, reaching a peak in about 30 years. Thereafter, a gradual decline in numbers was expected.*
- *The total number of working age persons (age 20 to 64) was projected to decline gradually resulting in a declining old-age support ratio (3.9 to 1.5 over 50 years).*
- *Mortality experience showed that Bermudians were living longer than had been assumed in previous actuarial reviews. The impact of this change in the mortality assumption to reflect this increase in longevity was a reduction in the life of the CPF by 3 years.*

The 2014 Actuarial Review recommended that:

- *In light of the fact that the current benefit and contribution structure is made up of flat rate amounts and the Government's policy is to increase both rates relative to inflation, with contributions increasing faster than benefits, the Government should set a target "benefit/contribution ratio" as part of the policy. This would ensure that any increases to both amounts would not result in the contribution rate exceeding the benefit rate at any point.*
- *The projected contribution rates should also be compared to projected national average wages to ensure that they are feasible and affordable.*

Unfortunately, the last audited financial statements for the CPF were for the year ended July 31, 2012.

More disturbingly, my predecessor's audit report included a disclaimer of opinion. Her Auditor's Report stated that:

Due to serious deficiencies in the accounting records of the CPF and in the system of internal controls, I was not able to satisfy myself that all assets, liabilities, revenues and expenses of the Contributory Pension Fund had been reflected, nor was I able to satisfy myself that recorded transactions represented valid transactions of the Contributory Pension Fund for the year then ended. As a result, I was unable to determine whether adjustments were required in respect to recorded or unrecorded assets, recorded or unrecorded liabilities and the components making up the statement of financial position and the statements of changes in net assets available for benefits and changes in pension obligations.

Because of the significance of the matters described above, I was not 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.

Given that Bermuda's aging population relies on the CPF for a minimum income after retirement and will continue to do so into the future, the situation described above is absolutely unacceptable.

Recommendation No. 4:

Government should:

- a) consider and act upon the recommendations of the SAGE Commission and the Actuarial Review as at August 1, 2014, with respect to the CPF contribution rates and the retirement age; and***
- b) take immediate steps to bring the CPF annual financial statements up to date, and review, and take appropriate steps to improve, the administration of the CPF.***

Ministry of Finance Response

The Government recognizes that the CPF benefit provides an important base retirement income for our seniors and is sensitive to the challenges facing pension plans of this nature. The Government has considered recommendations from the SAGE Commission and the Actuarial Review as at August 1, 2014. The Government has already taken some steps included in these reports. As evidenced by the 2014 Actuarial Report, the viability of the Fund in the short to medium term is good with the Fund being positive for the next 25 years. As at 30 June 2017, the Fund had total assets of over \$1.796 billion, representing approximately 11.7 times the annual value of benefits paid in the 2016/17 fiscal year. However, recognising the long-term challenges of the Fund, the Ministry will continue to closely monitor the performance of the Fund and take the appropriate steps to enhance the benefits paid from the Scheme as well as ensure the Fund has the ongoing ability to pay for such benefits.

The Accountant General has dedicated resources to bring the CPF annual financial statements up to date.

In 2015, the Management Consulting Section (MCS) conducted a review of the organisation structure and staffing requirements of the Department of Social Insurance. The purpose of the review was to assess the operational effectiveness and identify staffing efficiencies. The Review has been completed and approved by Cabinet. The Department is in the process of fully implementing the results of this review. Once implementation has been completed the Department will be in a better position to achieve future operational objectives and meeting the increase in benefit recipient and other demands on the Department.

2.5 Taxpayer indebtedness to Government

As the unfunded liability increases, arrears of payroll and other taxes and pension contributions also continue to increase. Measures to reduce taxpayer indebtedness to Government have been largely unsuccessful. More effective collection of outstanding revenue by Government would help reduce the need for borrowing along with its associated finance costs.

As at March 31, 2016, the amount of payroll, hotel occupancy, corporate services and land taxes greater than 90 days in arrears was \$90.6 million compared to March 31, 2011, when the comparative amount owed was \$46.3 million.

Table 2 below shows Payroll, Hotel Occupancy, Corporate Services and Land Tax as at March 31 **greater than 90 days in arrears**:-

Table 2: Outstanding taxes

| \$ millions As at March 31, | | | | | | |
|---|------|-------|------|------|------|------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Payroll, Hotel Occupancy and Corporate Services Taxes | 29.9 | 39.7* | 44.2 | 47.4 | 54.7 | 54.9 |
| Land Tax | 16.4 | 19.6 | 23.2 | 26.4 | 31.6 | 35.7 |
| | 46.3 | 59.3 | 67.4 | 73.8 | 86.3 | 90.6 |
| | | | | | | |

- Updated to reflect provision for 100% - over 90 days balances between \$0 & \$5,000, previously excluded

In the previous report regarding the Consolidated Fund, it was recommended that Government should establish and communicate a plan to address taxpayer indebtedness.

In its response, the Ministry of Finance agreed and indicated that the Government was looking at increasing resources in its Debt Enforcement Unit (DEU) to assist with debt collection as this was a high priority of Government.

Whatever actions have been taken in the intervening years, Table 2 shows that they have not been successful. Accounts receivable of the Office of the Tax Commissioner have increased by \$37.3 million (approximately 20.5%) over the five-year period ended March 31, 2016. The provision for doubtful accounts has increased over the same five-year period by \$43.5 million (approximately 114%).

Recommendation No. 5:

Government should establish, communicate and resource appropriately a plan to address the significant taxpayer indebtedness.

Ministry of Finance Response

Government continues to place a high priority on collecting outstanding pension contributions and taxes. Unfortunately due to the extended recession there are many small businesses that have struggled to meet their tax obligations in a timely fashion. This has resulted in some increases in the level of indebtedness to Government. Government will work with these businesses to make suitable arrangements. However, there are others who simply ignore their obligations. For this group, Government will continue to use all available means to collect overdue taxes, thereby improving Government's cash flow and reducing its need for borrowing.

The Tax Commissioner have their own debt collection resources. The Tax Commissioner pursues taxpayers and once all efforts to collect receivables have been exhausted, the debt may be referred to the DEU of the Attorney-General's Chambers for Supreme Court Writs.

The Government understands that increased cooperation and liaison between Government departments can be quite effective in increased tax compliance. Currently revenue collecting departments are supported by the various Departments who will withhold permits and vehicles where taxpayers are in arrears with taxes. Government has also used the offsetting provision in the legislation that allows Departments to claw back any monies due to taxpayers from Government (i.e. Works and Engineering contracts). Also, Departments have set up instalment plans and have successfully progressed matters in the courts through the Department of Public Prosecutions.

The Tax Commissioner, the Director of Department of Social Insurance and the Director of Public Prosecutions have held a series of meetings to address the situation of delinquent employers and unpaid Payroll Tax and Social Insurance Contributions. The Tax Commissioner and the Director of Social Insurance will start to forward employer files to the Director of Public Prosecutions for prosecuting employers, companies and individuals, for offences related to delinquent payments pursuant to their respective legislation.

The Ministry recognizes that further action is required in order to facilitate the settlement of Government debt as a priority and will provide the appropriate resources required to meet this objective.

2.6 Spending within Parliamentary limits

In the previous report on the Consolidated Fund, it was reported that for a number of years, many ministries, departments and legislative offices had exceeded the limits imposed on their annual expenditures by the House of Assembly. In fact, the annual over-expenditure by departments had become ingrained behavior in the conduct of Government officials for which there were no consequences.

This habitual overspending by Government ministries and departments raised questions about the credibility of the budget process, expenditure control and the cash management functions carried out by the Ministry of Finance.

It had been recommended that Government renew its commitment to ensure that unplanned spending receives the full consideration and prior approval of the House of Assembly and the consequences for non-compliance should be enforced.

In its response, the Ministry of Finance stated that:

“All pending supplementary estimates are now taken to the House during the budget session before a ministry has overspent its Budget appropriation. Overspends are now based on ministry totals because departments can overspend as long as funds are vired (transferred) to the department and the Ministry total does not exceed the amount appropriated for the Ministry”.

I am pleased to report that, although total expenditures have reduced little over the last five years, the amount of overspending in relation to limits set by the Legislature has. In the four years ended on March 31, 2016, total spending was lower than the adjusted estimates and, in the last two years, the amount of supplementary estimates required has fallen to a more reasonable level (an average of approximately 1.65% of total estimated spending).

Despite the overall improvement, it should be noted that there were still a few cases of ministry and department overspending.

2.7 Complying with Financial Instructions and related rules

It is the responsibility of all public servants to ensure that public monies are spent in accordance with the appropriate legislative authority, the Financial Instructions issued by the Minister of Finance and related rules such as the Ministry of Public Works' internal Management Policies and Procedures set out in P.F.A 2000 "Purchasing of Goods & Materials" and P.F.A 2002 "Procurement of Contract Services.

In the previous report regarding the Consolidated Fund, it was reported that many of the capital development transactions selected for testing did not comply with Financial Instructions and related rules. It was explained that the issue was not whether controls exist, but, rather, that the controls were being ignored or overridden, with those responsible seemingly immune to the imposition of penalties and sanctions built into Financial Instructions.

While in section 3 of this report I refer to instances where the Financial Instructions were not followed. In many cases the reality is that mistakes were made rather than there being a willful ignoring of the instructions as was the case in the earlier report.

However, I do offer a word of caution with respect to what may seem like an improvement in the application of the Financial Instructions in the last four years. Most of the serious infractions reported previously such as lack of the required approval of Cabinet, no agreements or contracts and not following the procurement tendering process were in connection with large, one-off capital projects. Due primarily to the Government's serious financial condition, there has not been a great deal of capital expenditure witnessed in the first part of this decade. This fact may be the largest contributor to the reduced number of instances of non-compliance with the Financial Instructions.

2.8 Other relevant reports on Government administration

In recent years, there have been two important reviews of Government carried out. The Spending and Government Efficiency ("SAGE") Commission ("Commission") was established by an Act of Parliament (SAGE Commission Act 2013). According to its final report, the Commission was charged with conducting *"a six-month analysis and making recommendations that will help to establish a more modern, efficient and accountable government – one that Bermuda needs and can afford"*.

The second review, a Commission of Inquiry (“COI”) was established by the then Premier, under section 1A of the Commissions of Inquiry Act 1935, to investigate the matters arising under section 3 (Audit Observations and Recommendations) of the Report of the Auditor General on the Consolidated Fund of the Government of Bermuda for the Financial Years ended March 31, 2010, March 31, 2011 and March 31, 2012. As the Commission’s name indicates, its establishment was the direct result of the previous report regarding the Consolidated Fund.

2.8.1 The SAGE Commission Report

The Commission reported its findings to the Minister of Finance on October 31, 2013. The Commission’s report set out a number of “*overarching themes and findings*” that drove the Commission’s final recommendations:

- *There is a lack of effective, accountable leadership in Bermuda’s Civil and Public Service. If this issue is resolved, other weaknesses are likely to be addressed.*
- *The Civil and Public Service suffers from a flawed organisational structure in which the principles of best practice management are not enforced and in which a cumbersome, lethargic culture is rife.*
- *The manner in which the Civil and Public Service is governed and in which reporting lines are identified demands a paradigm shift to meet Bermuda’s needs in the 21st Century.*
- *Political interference has been allowed to thwart the effective management of the Civil Service.*
- *The lack of effective leadership is compounded by a lack of fiscal discipline by both Civil Servants and politicians. This shared responsibility to maintain revenue and expense budgets has been ignored for too long.*
- *The Bermuda Government, including the Legislature, is too big for the size of the country it serves. With too many Ministries and Departments, the organisation has become bloated. As a result, there is evidence of unfocused, duplicated and diluted decision-making.*
- *Because there is no integrated process for planning and measurement, the Bermuda Government does not have a national strategic plan. Clearly articulated measurable goals and objectives are absent, while stated goals and objectives rarely correlate with cohesive business plans.*

- *Some of the services provided by Government could be delivered more efficiently and cost effectively by the private sector.*
- *There is no clear, documented, fully functioning and transparent process to measure efficiencies or to achieve accountability.*
- *Inefficient use of the resources entrusted to Government by the taxpayer should no longer be tolerated.*
- *Measuring efficiencies alone will never achieve accountability. Efficiency only matters if Government is effectively contributing to the well-being of the people of Bermuda.*

While noting the above, the Commission stated its belief that “*many employees in the Civil and Public Service have the skills and expertise, and the desire, to deliver necessary services to the community – provided they are led effectively and accountably in an impartial work environment*”.

The Commission concluded that “*expense reductions must be made of \$65 million, \$75 million, \$80 million and \$90 million a year for the next four years if Bermuda is to regain its financial footing*”.

The Commission also concluded that, “*just as importantly, any plan for expense reduction must be supported by a plan for generating revenue, increasing the Island’s population and thereby the economy, and establishing jobs for Bermudians*”.

The expense reductions called for by the Commission did not happen.

It is neither practical nor necessary to include the full text of the Commission’s report as an Appendix to this report.

The full report may be found at <http://www.oba.bm/images/stories/pdf/sage%20commission%20final%20report-%2031-10-2013.pdf>.

The Commission’s recommendations, which are too voluminous to be repeated here, were grouped according to its areas of focus during its review:

- *performance – the critical paradigm shift;*
- *streamlining – creating a nimble government;*
- *measurement and metrics – the era of accountability;*
- *privatisation and outsourcing – the right services for the right price, and*
- *pensions, retirement leave and government health – securing our future.*

The Commission's report was tabled in the House of Assembly by the then Minister of Finance in November 2013. The Minister committed that "Government will review the report and hold a debate on its recommendations in the House of Assembly"; December 2013 such a debate did occur.

2.8.2 The Commission of Inquiry Report

The COI reported its findings to the-then Premier in February 2017. The following month, the Premier made a statement in the House of Assembly regarding the work of the COI, its findings and recommendations but the report itself was not tabled.

According to the COI's report, its terms of reference required it to consider:

- whether violations had occurred of Financial Instructions and related laws, rules and regulations, and whether there was evidence of possible criminal activity, which should be referred to the Police, or of other matters, which should be referred to other appropriate authorities, and
- whether the laws and regulations currently in force are satisfactory and in particular, provide adequate satisfactory safeguards against repetition of any violations that it finds have occurred in the past.

The COI reported that it had found that there were indeed widespread breaches of Financial Instructions. It concentrated its attention on one aspect of the Financial Instructions, namely, that Government contracts be publicly tendered, and approved by the Cabinet when exceeding the value of \$50,000 (increased to \$100,000 effective November 1, 2016), and that public money is not paid out unless contracts are made and signed on behalf of the Government.

The COI's report stated that it also considered issues raised in other parts of the Auditor General's Report regarding internal accounting matters. It found "*numerous violations, some of which the COI found to be serious and persistent*".

The COI concluded that there was evidence of possible criminal activity requiring referral to the Police. It made no referrals for civil servants, nor did it refer any civil servant for possible disciplinary proceedings. The COI's full report can be found at <https://www.inquirybermuda.com>.

The COI's recommendation, which are also too numerous to repeat here, were grouped as follows:

- *Ensure that Ministers and Senior Civil Servants have More Effective Relationships*
- *Improve Transparency and Strengthen Safeguards against Conflicts of Interest*
- *Improve the Effectiveness of Financial Instructions*
- *Clarify Accounting Officer Responsibility*
- *Strengthen the Offices Responsible for Safeguarding the Public Purse*
- *Enhance Parliamentary Oversight of Government Spending*
- *Hold Civil Servants Responsible with Regard to 'Ownership' of Responses to the Auditor General's Reports*
- *Increase Transparency and Make Government's Financial Reporting More Timely*
- *Urgently Review Personnel and Processes in the Civil Service*
- *Hold QUANGOS More Responsible*

2.8.3 Implementing the Commissions' recommendations

The respective roles and focus of the two Commissions were different. The SAGE Commission was forward looking and across-government in focus; the Commission of Inquiry was essentially backward looking in that its primary role was to undertake an in-depth examination of the issues highlighted in section 3 of the previous report regarding the Consolidated Fund. However, the resulting collective recommendations provide a detailed road map of how to deal with Bermuda's current dire financial condition with government that is modern, right-sized, effective, efficient and accountable.

Following the SAGE Commission's report, in February 2014, the then Premier announced the launch of a "Public Sector Reform" initiative to implement some of the Commission's recommendations and some other major organizational change initiatives.

In June 2014, the then Premier made a statement to the House of Assembly to update members on the Public Sector Reform initiative. The statement referred to a Public Sector Reform Strategic Framework having been completed and several working groups having been established. The statement also referenced a proposed Public Bodies Reform Act and indicated that "the action plans (to be developed by the working groups) set out the steps to be taken to implement those SAGE Recommendations and other recommendations that the Government will determine that it supports".

Further action on the above “initiatives” appears to have been limited. Currently, I do not have the resources that would be required to examine the extent or effectiveness to which the Commissions’ recommendations have been implemented. Should my office have the resources to do so, I intend to carry out such an examination at some point in the future.

The two reports were commissioned by Government and they cost the taxpayer approximately \$1.2 million. It is my opinion that it is incumbent upon Government to report publicly on its position regarding the resulting recommendations.

Recommendation No.6 :

Government should take the following actions regarding the recommendations of the SAGE Commission and the Commission of Inquiry:

- (a) indicate clearly the extent to which it accepts the recommendations along with rationale if there are any recommendations not accepted;***
- (b) set out a plan and a timeline for their implementation and***
- (c) report out periodically on the status of the recommendations’ implementation.***

Ministry of Finance Response

With regard to the SAGE Report, the former Government had established a strategic framework and implementation mechanism for the advancement of those SAGE recommendations that it accepted and received regular updates relative to the status. The former Government also indicated those recommendations that it did not accept and communicated same publicly.

The current Government has referenced specific SAGE recommendations in its platform and these initiatives have been incorporated into the Public Service Operating Plan.

The recommendations of the COI for the action of the Public Service have been implemented. The former Government advised of those recommendations it would implement in the first instance, those they would not action, and those that would be addressed later. An election intervened and the remaining items were not able to be addressed by the former Government. The current Government has not referenced the COI.

3. AUDIT OBSERVATIONS & RECOMMENDATIONS

At the conclusion of the annual Consolidated Fund audit, we document our observations and provide recommendations to address issues identified. We discuss these matters with the Accountant General, indicating any points which should be brought to the attention of specific departments. Although we expect our recommendations to be implemented, it is primarily the responsibility of the Accountant General and departments to select the best course of action to address the issues identified on a timely basis.

Included in this section are those matters arising from the audit which are significant enough to warrant the attention of the House of Assembly. As in past reports, many of the observations point to a general failure to follow the rules (Financial Instructions) established by Government for the safeguarding of public assets.

The Financial Instructions (“FIs”) are rules that govern the custody, handling and accounting of public money including the management of capital development projects. They have been established under the general authority of the Public Treasury (Administration and Payments) Act 1969 by the Accountant General to “improve and clarify the standard of financial control within Government consistent with international best practices and to provide for appropriate levels of public finance control and governance”.

3.1 Spending Controls

A basic principle of expenditure control for Government is that no spending may take place without the approval of the Legislature.

Sections 95(2)(a) and 96(3)(b) of the Bermuda Constitution Order 1968 provides that every item of expenditure must be authorized by an Appropriation law or by a supplementary estimate approved by resolution of the House of Assembly.

The general intent of the legislation and supporting rules is that monies may only be spent from the Consolidated Fund if there is prior legislative approval in place. Section 5.5.3 of the Financial Instructions states: “All supplementary estimates must be approved by the Legislature before an over-expenditure of the Ministry and/or department’s total approved estimates.”

However, the Public Treasury (Administration and Payments) Act 1969, as amended, does state that: “If in respect of any financial year it is found that any moneys have been expended for any purpose in excess of the amount appropriated to that purpose by the Appropriation law or for a purpose to which no amount has been appropriated by that law, a supplementary estimate, showing the sum required or spent, shall be laid before the House of Assembly”.

It should be noted that the same legislation (Section 11A: Virements) allows a Permanent Secretary or a Head of Department to transfer a part of a department's approved budget to another department within the same Ministry subject to the approval of the Minister of Finance. As long as each Ministry does not exceed its own total appropriation (as per the annual Appropriation Act), there is no need for a Supplementary Estimate for such transfers. However, section 5.5.2 of the Financial Instructions requires Accounting Officers to submit all transfer requests before the expenditure is actually incurred, for the approval of the Ministry of Finance."

In the previous report on the Consolidated Fund, we highlighted two primary concerns with Government's expenditure controls:

- persistent and significant overspending indicating a lack of internal controls over such spending, and
- lack of supplementary estimates when spending exceeds the total amount authorized by the legislature or lack of ministerial approval of budget transfers between departments.

3.1.1. Staying within the Legislature's authorized spending limits

Table 3 below shows that, although total expenditures have reduced little over the last five years, the amount of overspending in relation to limits set by the Legislature has. In the last four years, total spending was lower than the adjusted estimates and, in the last two years, the amount of supplementary estimates required has fallen to a more reasonable level (an average of approximately 1.65% of total estimated spending). It should be noted though that as described in the section that follows, there were still a few cases of individual ministries overspending.

Table 3: Expenditures to Adjusted Estimates

| \$ millions | | | | | | |
|-------------------------|-------|-------|-------|-------|-------|-------|
| | 10/11 | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 |
| Original Estimates | 1,058 | 1,002 | 1,006 | 1,118 | 1,107 | 1,083 |
| Approved frozen funds | (8) | (1) | | | | (6) |
| Unfreeze frozen funds | 5 | | | | | |
| Supplementary Estimates | 50 | 71 | 38 | 50 | 17 | 25 |
| Total Estimates | 1,105 | 1,072 | 1,044 | 1,168 | 1,124 | 1,102 |
| Expenditures | 1,124 | 1,084 | 1,029 | 1,118 | 1,094 | 1,070 |
| (Over)/Under | (19) | (12) | 15 | 50 | 30 | 32 |

Controlling expenditures so that they do not exceed planned or approved limits is an important step to reducing the annual and accumulated deficit.

3.1.2. Lack of timely supplementary estimates or departmental transfer approvals for excess spending.

In the year ended March 31, 2013, three ministries spent over the adjusted estimates (Health \$6.9 million, Transport \$3 million, and Public Works \$0.4 million). In the year ended March 31, 2014, the Ministry of Public Works was overspent by \$1 million. In 2015, the Ministry of Public Works overspent by \$2.6 million. There were no overspent ministries for the year ended March 31, 2016.

Supplementary estimates for the ministry overspending as set out above were presented to the House of Assembly in March 2017. We recommended that if final supplementary estimates are required for any financial year, they should be presented to the House of Assembly for its approval as soon as possible after that year has finished.

According to Schedule 12 of the Consolidated Fund annual financial statements, the following overspending occurred at the departmental level:

- 2012/13 18 departments overspent a total of \$19.8 million
- 2013/14 8 departments overspent a total of \$ 5.0 million
- 2014/15 7 departments overspent a total of \$10.6 million
- 2015/16 10 departments overspent a total of \$ 3.3 million

Some of these departments overspending will have been covered by the supplementary estimates described above. The remaining departmental overspending for the above years will require approvals for retroactive departmental transfers (virements) to be prepared and submitted to the Minister of Finance, as required by the Public Treasury (Administration and Payments) Act 1969 and the Financial Instructions.

In order for the Government to be in compliance with legislated expenditure controls, it was recommended that the Ministry of Finance ensure that procedures in place are followed to prevent ministries from spending money in excess of appropriated estimate limits authorized by the House of Assembly.

These procedures should include ensuring that budget transfers between departments within the same ministry are approved by the Minister of Finance in advance of any overspending occurring.

3.2 Lack of a signed agreement with the Corporation of Hamilton

According to the Corporation of Hamilton’s (the “Corporation”) financial statements for the year ended December 31, 2016, the Government has a contingent liability of \$6.3 million related to the rental of the Corporation fire service property. As a lease agreement has not yet been finalized, and no amount has been paid by the Government in relation to this rent, no amount has been recorded as a liability for the use of the property in the Consolidated Fund’s financial statements.

On the other hand, the Government has recharged to the Corporation the costs incurred to respond to fire calls within the city of Hamilton. Approximately \$600,000 a year is charged by the Government to the Corporation. As at March 31, 2016, \$6.3 million is due to the Government. This amount is provided for in the financial statements as no payment is made by the Corporation. Thus, there is no impact on the revenues or on the assets of the Government.

There has been no signed lease agreement for the rental of the property between the parties since November 2008, when the former lease expired.

The Government and the Corporation have refused to pay any recharges prior to having a final agreement and therefore no assets or liabilities are recognized in the Consolidated Fund financial statements.

Without a written signed lease agreement, which specifies the respective rights, duties and obligations of both parties, there is no legally binding contract. It is unfortunate that a new lease agreement has not been signed for over eight years.

We have been recommending since 2013 that action be taken to complete a signed agreement with the Corporation as soon as possible.

3.3 Incomplete accounting for Heritage Wharf

In May 2009, the Government conveyed the freehold interest in Heritage Wharf (the “Wharf”) Dockyard to the West End Development Corporation (“Wedco”) for the nominal sum of \$1 on completion of a \$58 million capital development project. The transfer was recorded by the Government as a \$58 million capital grant expense and by Wedco as a \$58 million infrastructure asset for those costs incurred as of May 2009.

In 2011, it was the Ministry of Finance’s intent that the Wharf be re-conveyed to Government in order to not weaken materially the financial position of the Consolidated Fund as a result of the \$58 million being removed from the statement of financial position.

For various reasons, this re-conveyance did not occur and the Wharf remained on Wedco’s books for \$58 million with an agreement that it would ultimately be transferred back to Government.

Since 2012, the Government has spent another \$30 million to make repairs and that amount is currently being carried in the Consolidated Fund's accounts as assets under construction.

It was recommended that the Ministry of Public Works in conjunction with the Ministry of Finance should exercise its intent and address the re-conveyance of the Wharf so that all relevant costs of ownership and repairs (\$88 million to date) are accurately recorded in the appropriate entity's books.

In addition, it was recommended that the Attorney-General's Chambers be instructed to draft the re-conveyance as intended.

It should be noted March 2017, the Wharf was re-conveyed to the Government from WEDCO.

3.4 Inadequate procedures over bank reconciliations

For a number of years, we have reported significant issues related to the bank reconciliation process. However, these issues continue to be unresolved. Deficiencies for the year ended March 31, 2016, included:

- numerous and significant unrecorded additions and deductions to GL balance;
- long outstanding unresolved book and bank reconciling items;
- improper treatment of reconciling items;
- unrecorded realized foreign exchange gains and losses on closed bank accounts denominated in foreign currencies;
- unadjusted suspense accounts at year-end;
- incorrect translation rates applied to bank accounts denominated in foreign currencies at year-end, and
- substantial delays in clearing of bank deposits.

Given the risks inherent in the reconciliation process, it is imperative that the Accountant General exercise a greater degree of control over the reconciliation function. It was recommended that the ACG perform procedures required under Financial Instructions and develop a robust control environment.

3.5 Operating expenditures and accounts payable

During our audit of operating expenditures, we noted issues of concern that occur and/or reoccur in a number of ministries and departments, including the lack of:

- Government indebtedness check documentation;
- supporting documentation for payments;
- certification of validity and correctness of payments;
- Cabinet conclusion for contracts in excess of \$50,000;
- quotations, and
- year-end certification and reconciliation.

3.5.1. Lack of Government indebtedness check documentation

Financial Instruction 8.2 (Purchase of Goods and Services: Procedures) requires that for all contracts, the Office of the Tax Commissioner, the Department of Social Insurance and the Accountant General's Department should be contacted for clearance and/or information regarding indebtedness to Government before the contract is awarded and this must be documented and kept with the contract. If debt exists, arrangements for repayment must be agreed and included in the contract (as appropriate for offset) before the contract is awarded.

This is an important step as it provides a clear opportunity for the Government to recover outstanding debts that it might not be able to do in the normal course of business.

We found examples of contracts having been awarded across a range of ministries and departments for which there was no evidence that an indebtedness check had been carried out.

It was recommended that all ministries and departments be reminded of the requirement to check whether a potential contractor has any outstanding debts to Government and, if so, to include repayment arrangements in the contract.

3.5.2 Lack of supporting documentation for payments

Financial Instruction 9.5 (Expenditure: Supporting Documentation) requires that payment batches scanned into the system to support payments must include all relevant supporting documentation, such as original invoices, letters (memoranda) authorizing payments in specific amounts (i.e. for grant payments), copy of contracts, petty cash receipts, pro-forma invoices, etc.

We found payments to suppliers where there was not a supporting contract. For example, for the year ended March 31, 2016, the total of such payments to suppliers that we tested amounted to almost \$600,000 and were made by the Department of Social Insurance, the Department of Public Lands and Buildings and the Ministry of Works and Engineering.

It was recommended that the ministry and departmental controllers should ensure that all recorded transactions are properly supported with approved contracts.

Also, we found that in the year ended March 31, 2016, the Department of Health and Seniors made a payment of \$4,350,000 into the FutureCare Fund (the “Fund”) without having a resolution from the House of Assembly as required under the Health Insurance Act 1970 (the “Act”).

The legislation states that the initial amount of \$10 million paid into the Fund may, subject to the approval of the House of Assembly signified by resolution, may from time to time be increased by resolution of the Committee (such committee having been established under section 11A of the Act) and any increase of that sum, approved as aforesaid, shall be charged on the Consolidated Fund.

The payment of \$4,350,000 should not have been made without the support of the required legislative authority.

3.5.3 Lack of certification of validity and correctness of payments

Financial Instruction 9.4 (Expenditure: Responsibility of Authorised Officers) requires that Authorised Officers in each Ministry and Department, must certify the validity and correctness of every payment to be made by the Accountant General’s Department.

It is the Authorised Officer’s responsibility to:

- ensure payment is made in accordance with Financial Instructions (FI);
- carefully review supporting documentation prior to approval for payment;
- ensure that appropriate documentation is attached for all payments prior to submission to the Accountant General for payment (payment batches scanned into the system to support payments must include all relevant supporting documentation; such as original invoices, letters, (memoranda) authorizing payments in specific amounts (i.e. for grant payments), copy of contracts, petty cash receipts, pro-forma invoice, etc.);

- ensure submission of provided approved routes/access in JD Edwards Enterprise 1 (E1) for authorised personnel to the Accountant General's technical staff (ACG Tech) and that personnel are adequately trained on the payments process; and
- exercise care and implement proper controls to prevent duplicate payments by ensuring that invoices have not been previously presented for payment.

The FI is intended to provide appropriate review procedures over payment processing to reduce the risk of duplicate payments, misappropriation of assets or misstatements in the financial statements.

We found evidence that the above responsibilities are not always carried out diligently. For example, in the year ended March 31, 2016, we found in the Department of Marine and Ports that three invoices for security services were recorded twice, resulting in duplicate payments to the supplier amounting to \$263,037. The amount was subsequently recovered from the supplier.

In the Department of Civil Aviation, we found that payment due of \$95,866 was erroneously paid in Pound Sterling (\$148,583 Bermuda Dollars equivalent) due to lack of understanding and review of the required currency settlement. Again, the amount was subsequently recovered from the supplier.

It was recommended that the Accountant General take steps to ensure that Authorised Officers in ministries and departments understand and discharge fully their responsibilities with regards to payments.

3.5.4 Lack of Cabinet approval for contracts in excess of \$50,000

Financial Instruction 8.3 (Purchase of Goods and Services: Contracts/Agreements for goods or services in excess of \$50,000) requires that contracts totaling over \$50,000 (including those with multiple payments) must be approved by Cabinet before the agreement or contract is assigned. This includes contracts or agreements for the same/related goods or services (i.e., same vendor, purchased at the same time, for the same purpose) wherein the delivery and receipt of those same goods and services by Government are separated on different dates.

Each year under audit we found payments where no evidence of Cabinet approval was provided. For example, during the audit for the year ended March 31, 2016, we noted a Department of Public Transportation transaction over \$50,000 for which we did not see a Cabinet approval. The total payments for the year to the supplier were \$771,607.

It was recommended that, in order to strengthen the controls over expenditures and to help minimize overspending or abuse of the budget and/or any risk of fraudulent transactions, the Accountant General take steps to ensure that all contracts/agreements for goods and services in excess of \$50,000 are approved by Cabinet. With effect from November 1, 2016 contracts/agreement for \$100,000 or more must be approved by cabinet before the agreement or contract is executed (including those with multiple payments).

3.5.5 Lack of quotations

Financial Instruction 8.2 (Purchase of Goods and Services: Procedures) requires that:

- goods and services with an estimated value in excess of \$5,000 shall be obtained on the basis of at least three quotations, and
- if three quotes are unobtainable because of limited suppliers in Bermuda, this must be documented.

Quotations provide an avenue to consider all the possible vendors that could offer the best value for money. Absence of required quotations or lack of documentation increases the risk of fraudulent transactions between government officers and vendors.

For each year under audit, we found transactions for which quotations had not been obtained. For example, during our audit of the year ended March 31, 2016, we found in the Department of Public Transportation two payments totaling \$169,687 for which no quotations were provided. The total payments for the year for the two suppliers in question were \$980,477.

In the Department of Marine and Ports, no quotation documentation was provided for a seaport security contract awarded amounting to \$940,900.

It was recommended that the Accountant General remind appropriate officials in ministries and departments of their responsibilities regarding the obtaining of quotations for transactions in excess of \$5,000.

3.5.6 Lack of year-end certification and reconciliation

Financial Instruction 14.2 (Balance Sheet Accounts: Assets and Liabilities – Year End: Certification and Reconciliation) requires that as at March 31 of each fiscal year, Accounting Officers must:

- certify that balances on the accounts in their respective Departments are correct, and
- provide a reconciliation of those balances to supporting documentation.

Lack of appropriate certification procedures could result in erroneous accruals and payments and ultimately, material misstatements in the financial statements.

We found instances where the required certification and/or reconciliation had not been done. For example, in our audit of Registrar of Companies accounts payable at March 31, 2016, we noted that there were duplicate set-ups for various exempted companies tax refunds amounting to \$910,665, resulting in an overstatement of accounts payables at year-end.

At March 31, 2015, in the Department of Education, general accruals pertaining to utilities, repairs and maintenance, office supplies, etc., amounting to \$219,063 were erroneously included in Teachers' Salaries & Leave Entitlements and had to be included in our summary of unadjusted differences for the year.

It was recommended that the Accountant General remind Accounting Officers of their responsibility to certify that year-end balances are correct and to provide a reconciliation of those balances to supporting documentation.

3.6 Revenues and accounts receivables

During our audit of revenues and accounts receivables, we noted a number of issues of concern that occurred and/or reoccurred in a number of ministries and departments, including the lack of:

- reconciliations between control accounts and subsidiary ledgers;
- consistent application of estimating required provisions for doubtful accounts receivable, and
- consistent treatment/follow up on delinquent accounts receivable.

3.6.1 Lack of reconciliation between control accounts and subsidiary ledgers

Financial Instruction 13.10.6 (Accounts Receivable: Accounting Records) states that the total of subsidiary records should be balanced at least quarterly to the control accounts and any differences must be investigated and cleared quarterly.

Proper application of this requirement helps to ensure the accuracy of the record-keeping process and maintains the accounts receivable on a timely and accurate basis. Not performing the reconciliation could lead to fraud and errors going undetected and potential material misstatements in the financial statements.

We found that some departments have not followed the required procedures. For example, we noted that within the Ministry of Public Works, the total accounts receivable per the general ledger was approximately \$1.5 million higher than the balance in the Ministry's subsidiary accounts receivable system.

It was recommended that ministries and departments be reminded of the requirement set out in FI 13.10.6 to carry out reconciliations between control accounts and subsidiary records on a quarterly basis and to ensure that any differences are reviewed, investigated and cleared promptly.

3.6.2 Lack of consistent application of estimating required provisions for doubtful accounts receivable

The year-end Financial Instructions include direction on how to calculate an appropriate provision for accounts receivable that may not be collectible (doubtful accounts). The instructions state that in the absence of any specific criteria and/or instructions provided by the Comptroller, standard percentages of provision are to be applied according to how long the debts have been outstanding. For example, if a debt has been outstanding for a period between 91 and 120 days, a provision of 30% of the outstanding debt should be established.

We noted that the Ministry of Public Works used different ageing categories and provision rates to those stated in the year-end FIs when calculating the year-end provision for doubtful accounts receivable.

The adequacy of the provision was not reviewed nor adjusted based on the success of collection efforts, accounts ageing, and an overall evaluation of the accounts. Thus, the amount of the provision may have been inaccurate.

Similarly, we noted that the Customs Department used the percentages for provisioning as provided for in the year-end instructions without any further analysis of the receivables for specific provisions as may be necessary. This raises the risk of material misstatement in the provision for doubtful accounts.

We recommend that the Accountant General remind ministries and departments to use the ageing categories and provision rates included in the year-end Financial Instructions when calculating provision for doubtful accounts receivable, in the absence of specific criteria based on history and the likelihood of collection.

3.6.3 Lack of consistent treatment of delinquent accounts receivable

Financial Instruction 13.11 (Overdue Accounts) states that “all departments are responsible for developing and implementing effective collection procedures for their accounts receivable in accordance with the FI. Every effort should be made to maximize Government cash flows by minimizing the incidence of uncollectible accounts”.

The FI requires “vigorous pursuit of all unpaid accounts”. Actions to be taken include:

- for debts older than 30 days, contacting the debtor to ascertain if there are any unresolved issues relating to the debt;
- sending written notification that non-payment could result in legal proceedings to recover the debt without further notice; and
- discontinuing service to the debtor.

Debts older than 90 days are to be referred to the Accountant General’s Department for legal action. If it is not possible to recover the debt by legal process, the FI requires the Accountant General to seek approval from the Minister of Finance to write off the debt.

Some departments do not follow the FI. For example, we found that three departments within the Ministry of Public Works had accounts receivable of \$12.5 million as at March 31, 2016, of which \$9.6M or 62% were past due (more than 180 days) or slow paying on a continuous and ongoing basis.

The departments have no formal procedures in place for following up delinquent accounts. Consequently, debt collection procedures are not being performed on a timely basis and there is an increase in bad debts and the provisions for doubtful accounts receivable.

Similarly, in the Department of Airport Operations, we noted that at March 31, 2016, of the year-end accounts receivable balance of \$4.3 million, \$2.2 million (over 50%) was in arrears over 365 days.

Although these amounts are fully provided for, in most cases the balances relate to bankrupt airlines and other liquidated companies. The department has no formal policy in place for delinquent accounts and consequently has not been vigorously pursuing unpaid amounts.

It was recommended that the Accountant General ensure that ministries and departments are aware of and follow FI 13.11.

We also noted that, in the Registrar of Companies (“ROC”) records, Overseas Partnerships, Exempted Partnerships, Overseas Companies and Non-Resident Insurance Undertakings listed as “Defaulters” from prior periods between 2005 and 2016 were still not struck off the list of active companies.

The current legislation under which the above companies fall does not have a provision that would allow the Minister to revoke a company’s certificate in the event the company does not pay the annual fees as prescribed by the legislation within thirty days from its due date.

Given that the companies still have an active status, 50% of annual fees are being recognized and for prior years uncollected accounts receivable are fully provided for. More than a hundred entities are still listed and no inquiry letters or notices are sent to these companies to follow up on their status and outstanding accounts receivable.

To prevent this inefficient situation from continuing, It was recommended that the ROC request to the Minister a change in the legislation for these companies to include a provision allowing the Minister to revoke a company's certificate in the event it does not pay the annual fees as prescribed by the legislation within thirty days from their due date.

3.7 Lack of formal documentation of the Office of the Tax Commissioner accounts receivable estimate process

Payroll tax, land tax and other taxes and duties managed by the Office of the Tax Commissioner ("OTC") accounted for revenue of \$528 million in the year ended March 31, 2016, about 55% of the Consolidated Fund's total revenue.

One of the OTC's most important processes is to determine the accounts receivable at year-end (and, consequently, the revenue for the year), including several steps to come up with the balance of the accounts receivable from each tax stream. An estimation is done for the last quarter of the fiscal year (i.e., January to March), based on subsequent filing by taxpayers. An estimation and/or arbitrary assessment is done for taxpayers having filed through the year. However, the process is not documented in a formal written manual.

The accounts receivable estimate process is a critical procedure performed at year end that entails a lot of detail to determine the estimates that should be included in the total accounts receivable.

Lack of a written manual could lead to inconsistencies in calculating the accounts receivable balance which could lead to misstatements in the financial statements. In addition, OTC is exposed to a business continuity risk in the event that employees who are knowledgeable with the process resign from their positions.

It was recommended that the OTC should give priority to developing a written manual to document the estimate process for accounts receivable.

3.8 Information Technology deficiencies

The Government depends on information processed through its Information Technology (“IT”) system to perform critical functions. We have in the past years identified IT control deficiencies, many of which have not been resolved. Deficiencies in the years covered by this report include the following:

- weaknesses in access rights/privileges;
- lack of password policies;
- formal change management and problem/incident management procedures not in place;
- disaster recovery plans and business continuity plans not finalized or updated;
- one open-ended contract resulted in significant modification costs as well as undue reliance on one individual;
- weaknesses in the Virtual Private Network;
- security policy not implemented;
- operations and emergency procedures not documented;
- risk assessment and risk assessment plan not prepared, and
- lack of a policy on disposal of IT devices.

Given the risks to the delivery of services as well as protection of the accuracy, confidentiality and integrity of information collected, it is critical that these deficiencies are rectified. It was recommended enhanced procedures to improve the management of IT security.

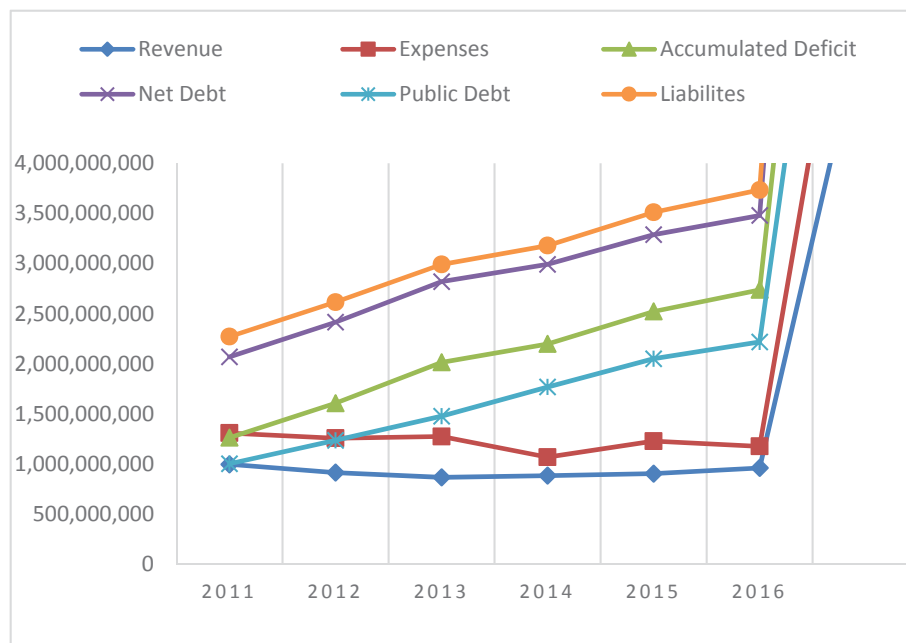
4. KEY INDICATORS OF THE FINANCIAL CONDITION OF GOVERNMENT'S CONSOLIDATED FUND

Note: In this section, we present some key indicators of the financial condition of Government's Consolidated Fund, along with our commentary thereon. These indicators should not be represented as showing the financial condition of Government as a whole. That can only be achieved when Government produces summary financial statements for the Consolidated Fund, the other public funds and government-controlled organizations that make up the government reporting entity (see section 2.2 of this report above).

The definitions and analysis of the indicators presented in this section are based upon a publication of CPA Canada: Statement of Recommended Practice #4, Indicators of Financial Condition.

The annual financial statements provide a glimpse of the Consolidated Fund's financial affairs at a particular point in time as indicated in the graph below:

Graph 1



However, such information is not always within the context of where Government has been and seldom within the context of where it is heading. To obtain this perspective, information such as indicators of financial condition should be provided with the audited financial statements.

Although not mandated, standards generally accepted in Canada and Bermuda recommend the annual presentation of indicators of financial condition (CPA Canada: Statement of Recommended Practice #4, Indicators of Financial Condition).

The Statement reports that key indicators of financial condition can:

- provide insight into Government's fiscal stewardship;
- illustrate Government's financial ability to maintain the current level and quality of its services, meet its short and long-term obligations and finance new programmes;
- identify foreseeable risks and trends;
- provide a level of transparency regarding Government's policy and operating decisions and their resulting impacts; and
- provide a basis for comparison, where appropriate, with other relevant jurisdictions.

When indicators of a government's financial condition are based on the information reported in the financial statements, they can supplement and complement a user's understanding of both the financial statements and financial condition.

I again encourage the Government to develop and publish a Financial Statement Discussion and Analysis document (including key indicators of financial condition) at the same time as its annual financial statements. My predecessor made the same recommendation in the previous report regarding the Consolidated Fund. Although committing to produce such a report by 2015, the Ministry of Finance has not yet produced.

Consequently, in the absence of Government providing such important supplementary information, this section includes key sustainability and flexibility indicators for the five years ended March 31, 2016.

4.1 Sustainability indicators

Sustainability refers to the degree to which the Consolidated Fund can maintain its current financial obligations without increasing revenues such as taxes, customs duty or debt. Sustainability is important because it focuses on the impact that the level of debt could have on the provision of future services to the public as well as honouring financial and other commitments to lenders, creditors, employees and others.

4.1.1 Net debt to Gross Domestic Product

This indicator measures the net debt – the difference between liabilities (what is owed) and financial assets (generally cash and its equivalent) – as a proportion of the Gross Domestic Product (“GDP”). It shows the relationship between Consolidated Fund’s net debt and activity in the economy. If the ratio declines, the Consolidated Fund debt is becoming less onerous on the economy. On the other hand, if the ratio rises (i.e., where net debt is increasing at a faster rate than the GDP), there is a risk that current services to the public cannot be sustained.

Table 4: Net Debt to GDP

| \$ billions | | | | | | |
|--------------------------|---------------------|-------|-------|-------|-------|-------|
| | 10/11 (restated) | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 |
| Net Debt | 2.1 | 2.4 | 2.8 | 3.0 | 3.3 | 3.5 |
| % Increase | 23.5 | 14.3 | 16.7 | 7.1 | 10.0 | 6.1 |
| GDP per capita | 5.6 | 5.6 | 5.7 | 5.7 | 5.9 | 6.1 |
| Net Debt to GDP % | 37.5 | 42.9 | 49.1 | 52.6 | 55.9 | 57.4 |

The Table shows that net debt as a percentage of GDP has increased rapidly over the five-year period ended on March 31, 2016. This increase is reflective of the fact that while the GDP over the period has remained fairly constant, the net debt has increased by 66.7%.

This means that Consolidated Fund debt is becoming more onerous on the economy and will not be sustainable without a significant increase in tax revenue, a significant reduction in expenses (with a corresponding reduction in the level of services provided) or a combination of both.

4.1.2 Annual and accumulated deficits

The annual deficit is the amount by which the annual cost of providing services exceeds annual revenues from customs duties, taxes, etc. It is a measure of how much is overspent in any given year.

Table 5 below shows that, in each of the past five years, the Consolidated Fund experienced a deficit:

Table 5: Annual deficit

| \$ millions | | | | | |
|-----------------------|---------|---------|---------|---------|---------|
| | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 |
| Revenues | 914.2 | 866.6 | 883.9 | 903.7 | 960.7 |
| Expenses | 1,257.4 | 1,274.6 | 1,067.9 | 1,227.7 | 1,176.0 |
| Annual Deficit | 343.2 | 408.0 | 184.0 | 324.0 | 215.3 |

Although the annual deficit was considerably lower for the year ended March 31, 2014 (\$184 million), this was because of a \$214.1 million credit resulting from the cost of living adjustment being removed for both current and future pensioners for the Public Service Superannuation Fund and the Ministers and Members of the Legislature Pensions Fund (\$432.7 million) offset by net unamortized experience losses (\$173.5 million) and past service costs in the Government Employees Health Insurance Fund (\$45.1 million).

The average annual deficit for the five years ended March 31, 2016, after adjusting for the one-time impact of the pension funds' adjustments described above, was \$337.7 million.

Each year, the annual surplus or deficit is deducted or added respectively to the prior year's balance to determine the accumulated deficit. The accumulated deficit, therefore, represents the total amount of all annual surpluses and deficits over time (net of accounting adjustments).

Table 6: Accumulated Deficit

| \$ millions As at March 31, | | | | | | |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Accumulated Deficit | 1,262.8 | 1,606.0 | 2,014.0 | 2,198.0 | 2,522.0 | 2,737.3 |
| % Increase | | 27.2 | 25.4 | 9.1 | 14.7 | 8.5 |

For the year ended March 31, 2016, the accumulated deficit stood at \$2.7 billion, approximately \$1.4 billion more than the accumulated deficit at March 31, 2011. This is approximately a 117% increase over a five-year period, and is not sustainable in the long term.

4.1.3 Net debt to total annual revenue

This “net debt-to-total annual revenue” indicator measures government net debt as a percentage of total revenues. Net debt provides a measure of the future revenue required to pay for past transactions and events.

Table 7 shows that, over the past 5 years, the ratio of net debt to total revenue has increased from 207.5% to 362.2%. This is because net debt has continued to rise significantly whereas revenues have fallen. At March 31, 2016, net debt stood at \$3.5 billion, \$1.4 billion more than the 2011 debt of \$2.1 billion, an increase of approximately 68%. Although revenues have increased somewhat in the last two financial years, total revenue of \$961 million for the year ended March 31, 2016 was still \$36 million less than total revenue for the year ended March 31, 2011.

Table 7: Net Debt to Total Annual Revenue

| \$ millions | | | |
|-------------|----------------------|---------------|--------------------------|
| Year | Net Debt at Year-end | Total Revenue | Net debt/total revenue % |
| 10/11 | 2,068.2 | 996.7 | 207.5 |
| 11/12 | 2,415.1 | 914.2 | 264.2 |
| 12/13 | 2,819.6 | 866.6 | 325.4 |
| 13/14 | 2,991.9 | 883.9 | 338.5 |
| 14/15 | 3,287.9 | 903.7 | 363.8 |
| 15/16 | 3,479.4 | 960.7 | 362.2 |

A ratio of net debt to total annual revenue that is increasing indicates that Government will need more time to eliminate the Consolidated Fund debt. The extent of the increase in the ratio over a five-year period suggests that the trend is not sustainable.

4.1.4 Assets to liabilities

The “assets-to-liabilities” indicator measures the ratio of the Consolidated Fund’s financial and non-financial assets to its liabilities. It illustrates the extent to which Government finances the Consolidated Fund operations by issuing debt.

Table 8: Assets to Liabilities

| \$ millions | | | |
|-----------------|--------------|-------------|-----------------------------|
| As at March 31, | Total Assets | Liabilities | Assets to Liabilities Ratio |
| 2012 | 1,009.4 | 2,615.4 | .39 |
| 2013 | 977.0 | 2,991.0 | .33 |
| 2014 | 981.7 | 3,179.7 | .31 |
| 2015 | 989.6 | 3,511.6 | .28 |
| 2016 | 997.0 | 3,734.3 | .27 |

A ratio of higher than one would indicate that the Consolidated Fund has an accumulated surplus and has assets greater than debt. On the other hand, a ratio of less than one indicates that debt is greater than assets and that Government has financed the Consolidated Fund operations by issuing debt.

In each of the past 5 years, the assets-to-liabilities ratio has been less than one. In fact, the trend shows that the gap between assets and liabilities is increasing and at March 31, 2016 was approximately 31% larger than at March 31, 2012. This trend is not sustainable as it indicates that Government borrowing will increase into the foreseeable future.

4.1.5 Financial assets to liabilities

The “financial assets-to-liabilities” ratio measures the ratio of the Consolidated Fund’s financial assets to its liabilities. The ratio shows the extent to which the Consolidated Fund’s future revenues will be required to pay for past transactions or events.

Table 9: Financial Assets-to-Liabilities

| \$ millions | | | |
|-----------------|------------------|-------------|---------------------------------------|
| As at March 31, | Financial Assets | Liabilities | Financial Assets to Liabilities Ratio |
| 2012 | 200.2 | 2,615.4 | .08 |
| 2013 | 171.4 | 2,991.0 | .06 |
| 2014 | 187.8 | 3,179.7 | .06 |
| 2015 | 223.7 | 3,511.6 | .06 |
| 2016 | 255.0 | 3,734.3 | .07 |

A ratio of less than one indicates that liabilities exceed financial assets and may mean a reliance on future revenues or increasing debt to pay for past decisions.

In the last five years, liabilities have far outstripped financial assets and emphasize the degree to which future customs duty, fees, taxes or debt will be required to fund government services delivered through the Consolidated Fund. This trend is unfavorable and negatively impacts the sustainability factor of the Government. Borrowing to fund government services is not always an appropriate financing strategy as it shifts the costs to future generations while today's taxpayers enjoy the benefits.

4.1.6 Total expenses to Gross Domestic Product

The "total expenses-to-Gross Domestic Product ("GDP")" indicator provides the trend of government spending over time in relation to the growth in the economy. A trend that shows total expense is growing at a faster rate than the growth in the economy (as represented by the GDP) may not be sustainable.

Table 10 shows GDP has remained fairly constant over the five-year period ended March 31, 2016, and total expenses for the last five years have shown a slight downward trend.

Table 10: Total expense as a percentage of GDP

| Year | Total Expenses \$ millions | GDP \$ billions | Expenses/GDP % |
|-------|-------------------------------|--------------------|----------------|
| 11/12 | 1,257.4 | 5.6 | .22 |
| 12/13 | 1,274.6 | 5.7 | .22 |
| 13/14 | 1,067.9 | 5.7 | .19 |
| 14/15 | 1,227.7 | 5.9 | .21 |
| 15/16 | 1,176.0 | 6.1 | .19 |

4.2 Flexibility indicators

Flexibility is the degree to which Government can change the Consolidated Fund's debt or tax burden on the economy to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.

Flexibility indicators provide a view of how Government manages the Consolidated Fund's finances. Increasing current borrowing reduces Government's flexibility to respond when adverse economic circumstances develop. Similarly, increasing taxes, customs duty, fees and fines reduce Government's ability to do so in the future as it approaches the limit that the public is willing to bear.

4.2.1 Public debt interest to revenues

Public debt is defined as any debt owed or guaranteed by the Consolidated Fund which is due and payable. It excludes the Sinking Fund which is money set aside to repay Government borrowings. Table 11 below shows that at March 31, 2016, public debt stood at \$2.2 billion, compared to \$1 billion at March 31, 2011, a 121% increase in five years.

Table 11: Public debt

| \$ billions | | |
|--------------------|-------------|------------------|
| As at March 31, | Public Debt | Legislated Limit |
| 2011 | 1,002.0 | 1,250 |
| 2012 | 1,236.0 | 1,450 |
| 2013 | 1,476.9 | 2,500 |
| 2014 | 1,768.4 | 2,500 |
| 2015 | 2,049.7 | 2,500 |
| 2016 | 2,217.7 | 2,500 |

The "public debt interest-to-revenues" indicator measures public debt interest as a percentage of revenues. It illustrates the extent to which past borrowing decisions present a constraint on Government's ability to meet the Consolidated Fund's financial and service commitments in the current period. Specifically, the more Government uses revenues to meet interest cost commitments related to past borrowing, the less will be available for spending on current programmes.

Table 12: Public debt interest-to-revenues

| Year | Public debt interest \$ millions | Revenues \$ million | Interest/ Revenues % |
|--------------|--|------------------------|----------------------------|
| 11/12 | 67.6 | 914.2 | 7.39 |
| 12/13 | 81.6 | 866.6 | 9.42 |
| 13/14 | 109.2 | 883.9 | 12.35 |
| 14/15 | 113.2 | 903.7 | 12.53 |
| 15/16 | 116.2 | 960.7 | 12.10 |

Table 12 above shows that the public debt interest to revenue ratio has increased from 7.39% for the year ended March 31, 2012 to 12.10% for the year ended March 31, 2016, an increase of 63.7%. The ratio reduced slightly for the year ended March 31, 2016 because revenues increased while interest charges were relatively constant. This indicator is important because when it increases significantly over an extended period of time it means that Government has consistently chosen borrowing over increases in taxes, customs duty, fees and fines to meet its financial and service commitments. This will eventually impact Government's flexibility since its priority must be to service its debt. Failure to do so would impair its future ability to borrow (or to do so at reasonable interest rates) or to roll over its existing debt.

4.2.2 Net book value to cost of capital assets

The "net book value-to-cost of capital assets" indicator reports the extent to which the estimated useful lives of Government's tangible capital assets are available to provide its services. If Government's scale, scope and level of services remain unchanged or grow, its ageing asset base could eventually impair flexibility because of the impending future costs of capital asset repair or replacement.

Table 13: Net book value to cost of capital assets

| As at March 31, | Capital assets | | |
|--------------------|----------------|-------------|--|
| | Net book value | Cost | Net book value to cost of capital assets |
| | \$ millions | \$ millions | |
| 2011 | 727.8 | 1,044.4 | .70 |
| 2012 | 751.5 | 1,114.6 | .67 |
| 2013 | 741.3 | 1,150.5 | .64 |
| 2014 | 722.2 | 1,184.7 | .61 |
| 2015 | 685.0 | 1,201.1 | .57 |
| 2016 | 660.9 | 1,223.5 | .54 |

Table 13 above indicates that, in general, Government assets have aged by approximately 23% over the five years ended March 31, 2016. This means that to maintain an effective asset base, Government will need to make significant capital investments in the future. This will be a challenge, given the already high levels of debt.

4.3 Conclusion

The above indicators of financial condition demonstrate a level of unsustainability and impaired flexibility which Government must make every effort to address.

APPENDICES

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APPENDIX 1

Listing of Government funds and organizations

32 - Government-controlled organizations & Other organizations

ACBDA Limited
African Diaspora Heritage Trail Bermuda Foundation
Barristers and Accountants AML/ATF Board
Bermuda Airport Authority
Bermuda Arts Council
Bermuda Casino Gaming Commission
Bermuda Civil Aviation Authority
Bermuda College
Bermuda Deposit Insurance Corporation
Bermuda Economic Development Corporation
Bermuda Educators Council
Bermuda Health Council
Bermuda Hospitals Board
Bermuda Housing Corporation
Bermuda Housing Trust
Bermuda Land Development Company Limited
Bermuda Monetary Authority (Dec)
Bermuda Public Accountability Board
Bermuda Shipping and Maritime Authority
Bermuda Sport Anti-Doping Authority (the)
Bermuda Tourism Authority (Dec)
Board of Trustees of the Golf Courses
CedarBridge Academy
Financial Intelligence Agency
Office of Information Commissioner
Office of Ombudsman
Pension Commission (Dec)
Regulatory Authority
Spending and Government Efficiency (SAGE) Commission
South Basin Development Ltd
Trustees of the National Sports Centre
West End Development Corporation

13 - Public Funds

Bermuda Department of Tourism North America Retirement Plan
Confiscated Assets Fund
Consolidated Fund
Contributory Pension Fund (Jul)
FutureCare Fund
Government Borrowing Sinking Fund
Government Employees Health Insurance Fund
Government Reserves Fund
Health Insurance Fund
Ministers and Members of the Legislature Pensions Fund
Mutual Re-insurance Fund
Public Service Superannuation Fund
Unemployment Insurance Fund

9 -Parish Councils

Devonshire Parish Council
Hamilton Parish Council
Paget Parish Council
Pembroke Parish Council
Sandys Parish Council
Smith's Parish Council
Southampton Parish Council
St. George's Parish Council
Warwick Parish Council

4 - Aided Schools' Capitation Accounts

Berkeley Institute Capitation Grant Account
Sandys Secondary Middle School Capitation Grant Account
St. George's Preparatory School Capitation Grant Account
Whitney Institute Middle School Capitation Grant Account



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.gov.bm

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly, the Governor and the Senate

I have audited the accompanying financial statements of the Consolidated Fund of the Government of Bermuda, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated deficit, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, 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 auditing standards generally accepted in Bermuda and Canada. 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 the Consolidated Fund of the Government of Bermuda as at March 31, 2013, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Other matters

As permitted by Section 6 of the Audit Act 1990, I may include in my auditor's report any other comments arising out of the accounts that I consider appropriate.

Prior year's Qualified Opinion

In prior years, I qualified my auditor's opinion on the financial statements of the Consolidated Fund, on the basis of serious deficiencies in internal control over the management of various capital development projects. These deficiencies led me to question the appropriateness of certain transactions and the underlying value of tangible capital assets. As a consequence of last year's qualification, and without the benefit of an independent professional valuation, I was unable to determine whether adjustments might have been necessary to tangible capital assets and accumulated deficit as at March 31, 2012.

This year, Management has provided an independent professional valuation and I have obtained sufficient appropriate audit evidence that these transactions were measured and recognized in accordance with public sector accounting standards generally accepted in Bermuda and Canada and therefore, no longer warrant a qualification of opinion.

Increasing Net Debt

Without qualifying my opinion, I wish to draw attention to the level of net debt which increased by \$404 million to \$2.8 billion as of March 31, 2013. Government needs to take concerted action to address this fiscal challenge.

Incidences of non-compliance with the Government of Bermuda's Financial Instructions

Also, without qualifying my opinion, I wish to draw attention to several incidences of non-compliance with the Government of Bermuda's Financial Instructions which form the standard for financial controls of the Government. Although these incidences of non-compliance did not lead me to qualify my audit opinion for the current year, they revealed weaknesses and deficiencies in the control environment. It is important that the Government adheres to its internal control framework.

Usefulness of these Financial Statements is Limited

As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not summary financial statements of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund. As such, the financial statements of the Consolidated Fund for the year ended March 31, 2013 do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.



Hamilton, Bermuda
March 10, 2014

Heather A. Jacobs Matthews, JP, FCA, CFE
Auditor General

Government of Bermuda - Consolidated Fund Statement of Financial Position

| As at March 31 | | 2013 | 2012 |
|--|-----------------|----------------------|----------------------|
| | | Actual | Actual |
| | | \$ | \$ |
| Liabilities | | | |
| | <u>Schedule</u> | | |
| Bank Overdraft (Note 16) | | 69,000,521 | 120,720,014 |
| Accounts Payable and Accrued Liabilities | 5 | 163,241,796 | 154,068,571 |
| Deferred Revenue | 6 | 35,237,299 | 34,045,465 |
| | | <u>267,479,616</u> | <u>308,834,050</u> |
| Interest Bearing Debt - Net of Sinking Fund | 7 | <u>1,407,858,034</u> | 1,115,252,919 |
| Pensions and Other Employee Future Benefits | | | |
| - Pensions and Retirement Benefits (Note 9(g)) | | 1,239,417,986 | 1,126,225,368 |
| - Compensated Absences (Note 8) | | 25,439,781 | 24,321,023 |
| | | <u>1,264,857,767</u> | <u>1,150,546,391</u> |
| Other Liabilities | | | |
| Due to Government Funds and Agencies | 3(a) | 50,808,141 | 40,751,629 |
| Total Liabilities | | 2,991,003,558 | 2,615,384,989 |
| Financial Assets | | | |
| Cash and Cash Equivalents | | 12,174,590 | 24,018,677 |
| Accounts Receivable | 1 | 137,974,699 | 138,971,513 |
| Due from Government Funds and Agencies | 3 | 14,661,053 | 30,722,901 |
| Long-Term Receivables | 4 | 1,557,847 | 1,522,619 |
| Investment in Quango (Notes 3(e) & 14(b)) | | 5,000,000 | 5,000,000 |
| Total Financial Assets | | 171,368,189 | 200,235,710 |
| Net Debt | | 2,819,635,369 | 2,415,149,279 |
| Non-Financial Assets | | | |
| Tangible Capital Assets (Notes 3(f)) | 11 | 741,349,781 | 751,450,187 |
| Assets under Construction (Note 3(f)) | 11 | 43,851,920 | 40,101,565 |
| Inventories for Consumption (Note 3(f)) | 2 | 14,727,949 | 13,573,803 |
| Prepaid Expenses | | 5,726,072 | 4,035,002 |
| Total Non-Financial Assets | | 805,655,722 | 809,160,557 |
| Accumulated Deficit | | 2,013,979,647 | 1,605,988,722 |
| Contingent Liabilities, Non-Contractual Operational Commitments and Contractual Commitments (Notes 10, 11, 12 and Schedule 13) | | | |

The accompanying notes and schedules are an integral part of these financial statements.

Government of Bermuda - Consolidated Fund Statement of Operations and Accumulated Deficit

| For the year ended March 31 | 2013 | 2012 |
|---|-------------------------|-----------------|
| | Actual* | Actual |
| | \$ | \$ |
| Revenue | <u>Schedule</u> 8, 9 | |
| Taxes & Duties | | |
| Payroll Tax | 328,023,069 | 344,702,370 |
| Customs Duties | 169,693,292 | 180,696,578 |
| Other Taxes and Duties | 61,694,088 | 76,557,477 |
| Land Tax | 55,844,840 | 52,312,877 |
| Passenger Tax | 34,577,919 | 35,068,899 |
| Total Taxes & Duties | 649,833,208 | 689,338,201 |
| Fees, Permits & Licenses | 194,064,998 | 195,733,293 |
| Other Revenue | 19,848,310 | 25,644,452 |
| Investment Income | 2,831,042 | 3,465,694 |
| Total Revenue | 866,577,558 | 914,181,640 |
| Expenses | 10 | |
| Economic Development | 407,736,821 | 414,270,904 |
| Health | 210,180,706 | 207,131,607 |
| National Security | 165,734,476 | 168,963,434 |
| Education | 144,243,904 | 149,415,777 |
| Pensions and Retirement Benefits Expenses | 114,311,376 | 113,096,438 |
| Interest on Debt | 81,577,570 | 67,592,428 |
| Social Services & Assistance | 78,086,721 | 72,662,704 |
| Other General Government Services | 72,696,909 | 64,278,192 |
| Total Expenses | 1,274,568,483 | 1,257,411,484 |
| Annual Deficit | (407,990,925) | (343,229,844) |
| Accumulated Deficit, Beginning of Year | (1,605,988,722) | (1,262,758,878) |
| Accumulated Deficit, End of Year | (2,013,979,647) | (1,605,988,722) |

* Estimates against these actuals are provided for revenue in Schedules 8 and 9 and for current expenses in Schedules 10(a) and 10(b) for appropriation purposes.

The accompanying notes and schedules are an integral part of these financial statements.

Government of Bermuda - Consolidated Fund Statement of Change in Net Debt

| For the year ended March 31 | 2013 | 2012 |
|---|------------------------|-----------------|
| | Actual | Actual |
| | \$ | \$ |
| Annual Deficit | (407,990,925) | (343,229,844) |
| Change Due to Tangible Capital Assets: | | |
| Net Additions to Tangible Capital Assets | (36,944,067) | (70,242,398) |
| Net (Additions to) Reductions in Assets under Construction | (3,750,355) | 19,171,362 |
| Amortization of Tangible Capital Assets | 47,044,473 | 46,544,662 |
| Total Change Due to Tangible Capital Assets | 6,350,051 | (4,526,374) |
| Net (Additions to) Reductions in Inventories for Consumption | (1,154,146) | 1,403,157 |
| Net Additions to Prepaid Expenses | (1,691,070) | (561,376) |
| Total Change Due to Inventories for Consumption and Prepaid Expenses | (2,845,216) | 841,781 |
| Increase in Net Debt | (404,486,090) | (346,914,437) |
| Net Debt, Beginning of Year | (2,415,149,279) | (2,068,234,842) |
| Net Debt, End of Year | (2,819,635,369) | (2,415,149,279) |

The accompanying notes and schedules are an integral part of these financial statements.

Government of Bermuda - Consolidated Fund Statement of Cash Flow

| For the year ended March 31 | 2013 | 2012 |
|---|---------------------|---------------------|
| | Actual | Actual |
| | \$ | \$ |
| Operating Activities | | |
| Annual Deficit | (407,990,925) | (343,229,844) |
| Items not affecting cash: | | |
| Amortization of Tangible Capital Assets | 47,044,473 | 46,544,662 |
| Increase in Pension and Retirement Benefits Liability | 113,192,618 | 110,771,402 |
| Increase in Compensated Absences Liability | 1,118,758 | 2,325,036 |
| Increase in Non-Cash Working Capital | 34,599,789 | 13,694,264 |
| Cash Applied to Operating Activities | (212,035,287) | (169,894,480) |
| Capital Activities | | |
| Net Additions to Tangible Capital Assets | (36,944,067) | (70,242,398) |
| Net (Additions to) Reductions in Assets under Construction | (3,750,355) | 19,171,362 |
| Cash Applied to Capital Activities | (40,694,422) | (51,071,036) |
| Financing Activities | | |
| Debt issues | 475,000,000 | 200,000,000 |
| Decrease (Increase) in Sinking Fund | 17,605,115 | (29,238,583) |
| Debt retirement | (200,000,000) | - |
| Cash Provided By Financing Activities | 292,605,115 | 170,761,417 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 39,875,406 | (50,204,099) |
| Cash and Cash Equivalents, Beginning of Year | (96,701,337) | (46,497,238) |
| Cash and Cash Equivalents, End of Year | (56,825,931) | (96,701,337) |
| Cash and Cash Equivalents, End of Year | | |
| Cash and Cash Equivalents | 12,174,590 | 24,018,677 |
| Bank Overdraft | (69,000,521) | (120,720,014) |
| Cash and Cash Equivalents, End of Year | (56,825,931) | (96,701,337) |

The accompanying notes and schedules are an integral part of these financial statements.

Government of Bermuda – Consolidated Fund

Notes to the Financial Statements

March 31, 2013

1. Authority

The Consolidated Fund (the “Fund”) operates under the authority of the Bermuda Constitution Order 1968 and amendments, and the Public Treasury (Administration and Payments) Act 1969 and amendments.

All public money is paid into the Fund and legislative authority must be obtained for any expenditure out of the Fund.

The Legislature provides authority to make payments out of the Fund in annual Appropriation Acts, Supplementary Estimates and other statutes. Unused spending authority for current account appropriations lapses at the end of the fiscal year. Unused spending authority for uncompleted capital projects is carried forward to subsequent fiscal years, subject to the approval of the Minister of Finance.

2. Reporting Entity

The Fund’s financial statements report the financial position, results of operations, change in net debt and cash flow resulting from the activities of the Fund only, which comprise the accounts of the Senate, the House of Assembly, all Government departments and offices (including the Public Service Commission) and all courts. The Fund is established and defined pursuant to section 94 of the Bermuda Constitution Order 1968.

These financial statements are not summary consolidated financial statements of the Bermuda Government. Separate audited financial statements are prepared for all other Government organizations.

These financial statements are prepared in accordance with the legislative requirements as outlined in sections 5 and 32A of the Public Treasury (Administration and Payments) Act 1969 and amendments.

The Government adheres to the general practice of using a Consolidated Fund as its general operating fund. Schedules 8 to 11 provide information concerning the operations, tangible capital assets and capital expenses of individual Government departments and funds and agencies comprising the Fund.

3. Summary of Significant Accounting Policies

The recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the Chartered Professional Accountants of Canada (which are promoted by the Institute of Chartered Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda) are the source for the disclosure basis of accounting.

The preparation of financial statements in accordance with the disclosed basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013**

3. Summary of Significant Accounting Policies (cont'd)

and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are as follows:

(a) Method

The financial statements are prepared on the accrual basis of accounting.

(b) Revenue

Revenues are accounted for in the fiscal year in which the transactions or events occurred that gave rise to the revenues.

Revenues not practicably measurable until cash is received are accounted for upon receipt.

Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are reported as deferred revenue.

(c) Expenses

Expenses are accounted for in the fiscal year that goods and services are acquired, a liability is incurred or grant payments are due.

Contributions to Government funds and agencies are expensed in the year the expenditure is made.

Classification of expenses between current account items and capital account items follows the classification in the Approved Estimates.

(d) Interdepartmental Revenues and Expenses

Interdepartmental revenues and expenses are not eliminated but have been identified as explained in Note 14(c).

(e) Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash and cash equivalents, accounts receivable, amounts due from Government funds and agencies, long-term receivables and investment in QUANGO.

Accounts receivable are recorded at cost. A valuation allowance is recorded when collection of the receivable is considered doubtful.

Long-term receivables are recorded at unamortized cost.

Investment in QUANGO is recorded at cost.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

3. Summary of Significant Accounting Policies (cont'd)

(f) Non-Financial Assets

Non-Financial assets are resources that are employed for future services. They include tangible capital assets, assets under construction, inventories for consumption and prepaid expenses. The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized over the estimated useful lives of the assets. Where original acquisition documents were difficult to retrieve, the Book Value Calculator (“BVC”), developed by the Chief Appraiser of Public Works and Government Services Canada (as modified by them to address the Bermuda Government situation), was used to establish reasonable estimates of the Net Book Values in order to develop opening balances.

Other tangible capital assets that do not meet the minimum threshold requirements for their respective asset class have continued to be charged to capital expenses in the year of purchase, which is consistent with prior years. These expenses are currently classified as capital development and capital acquisition expenses on Schedule 10, Expenses by Program. Included in the capital development and capital acquisition expenses are other significant items: capital grants, repairs and maintenance, professional fees and other items which are expensed as they are incurred. Tangible capital assets that have not yet been disclosed include historical treasures.

Amortization is recorded on a straight-line basis for all assets, according to the following:

| | |
|----------------------------|---|
| Buildings | 40 years |
| Leasehold Improvements | Remaining life or lease period of the related asset |
| Betterments | Remaining life or lease period of the related asset |
| Heavy Equipment | |
| \$10,000 to \$99,999 | 5 years |
| \$100,000 and above | 7 years |
| Vehicles | |
| 2 – 3 Wheeled Vehicles | |
| \$3,000 | 5 years |
| 4 or More Wheeled Vehicles | |
| \$0 - 99,999 | 5 years |
| \$100,000 and above | 7 years |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

3. Summary of Significant Accounting Policies (cont'd)

| | | |
|---|--|---------------|
| Boats & Vessels | | |
| \$10,000 to \$99,999 | | 5 years |
| \$100,000 and above | | 10 years |
| Leased Equipment | | |
| \$3,000 and above | | 3 years |
| Computer Hardware | | |
| \$3,000 to \$99,999 | | 3 years |
| \$100,000 and above | | 7 years |
| All laptops and desktop computers are capitalized | | |
| Computer Software | | |
| \$20,000 and above | | 10 years |
| Furniture & Fixtures | | |
| \$3,000 and above | | 7 years |
| Office Equipment | | |
| \$3,000 and above | | 5 years |
| Plant, Machinery & Equipment | | |
| \$50,000 and above | | 10 – 30 years |
| Infrastructure | | |
| \$50,000 to \$199,999 | | 10 years |
| \$200,000 and above | | 40 years |

The Ministry of Government Estates and Information Services is primarily responsible for Government's tangible capital assets. In prior years, amortization was reported as a single expense item of this Ministry. Amortization expense is now reported under the respective Ministries. Since amortization is a non-cash expense, it is removed for appropriation reporting purposes.

Assets under construction relate to the development of buildings, betterments, vehicles, computer hardware, computer software, infrastructure, office equipment and vessels. Upon completion, the balance of assets under construction will be transferred to tangible capital assets and amortized based on the appropriate useful life.

Tangible capital assets that have historical or cultural value, including works of art, historical documents, and historical and cultural artifacts, are not recognised as tangible capital assets in these financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Inventories for consumption are comprised of spare parts and supplies that are held for

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

3. Summary of Significant Accounting Policies (cont'd)

future program delivery and are not intended for resale. They are valued at cost. Inventories for consumption that no longer have service potential are valued at the lower of cost or net realizable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

(g) Liabilities

Liabilities are recorded for financial obligations to organizations and individuals occurring as a result of transactions and events arising on or before the year-end. They occur as a result of contracts, agreements and legislation in force at year-end that require the Government to repay borrowings or to pay for goods and services acquired or provided on or before the year-end. Liabilities also include grant payments due where no direct value is received in return.

(h) Translation of Foreign Currencies

The financial statements are reported in Bermuda dollars. The Bermuda dollar is valued at par with the United States dollar. Assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year-end date. Revenues and expenses originating in foreign currencies are translated at the exchange rate in effect on the date the specific transactions occurred. Translation gains and losses are included in the Statement of Operations and Accumulated Deficit.

(i) Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate payroll and land taxes, accruals for pension obligations, accruals for environmental obligations, allowances for doubtful receivables and accruals for liabilities through actuarial valuations.

The nature of the uncertainty related to the accruals for pension obligations arise because actual results may differ significantly from the Government's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of the participants. The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Government's responsibilities to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful revenue is based upon actual collectability and changes in economic conditions.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

3. Summary of Significant Accounting Policies (cont'd)

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future condition in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

(j) Risk Management of Public Debt

Funds are borrowed in both domestic and foreign capital markets by issuing Bermuda Government senior notes and using bank loans and other credit facilities. This borrowing activity is used to fund government capital expenditure programs and other budgeted governmental operations. These transactions result in exposure to four types of risk: interest rate risk, foreign exchange rate risk, credit risk and liquidity risk.

Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates. This risk is managed by issuing debt securities as predominately fixed rates of interest rather than floating rates of interest for fixed terms.

Foreign exchange rate risk is the risk that debt servicing costs will increase due to a decline of the Bermuda dollar relative to other currencies. This risk is managed by maintaining a preference for debt that is issued predominately in United States ("US") dollars. The Bermuda dollar is pegged to the US dollar to eliminate the impact of any fluctuations in the exchange rates between the two.

Credit risk is the risk that a loss might occur from the failure of another party to meet its obligations under a derivative financial instrument contract. The risk is managed by issuing debt securities that have no derivatives as the underlying securities. The debt instruments are senior notes of the Bermuda Government and loan facilities with a domestic lender.

Liquidity risk is the risk that financial commitments will not be met over the short term. This risk is managed through the establishment of the Government Borrowing Sinking Fund as a separate legal entity for the repayment of government debt and to pay interest charged on long-term public debt under the provisions of the Government Loans Act 1978.

(k) Future Changes in Accounting Policies

A number of new standards and amendments to standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada are not yet effective and have not been applied in preparing these financial statements.

PS 3450 Financial Instruments – a new standard providing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.
PS 1201 Financial Statement Presentation – replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

3. Summary of Significant Accounting Policies (cont'd)

Each of these new standards becomes effective for fiscal years beginning on or after April 1, 2015. The Government does not intend to adopt these new standards prior to the effective date. The impact that these standards will have on the financial statements is not deemed significant.

4. Approved Estimates of the Government of Bermuda

(a) Budget Process

Annually, the Government presents a Budget (“Estimates”) of expected revenues and expenditures for the following fiscal year.

The Government’s spending Estimates for the fiscal year commencing April 1, 2012 were presented to the Members of the Legislature by the Minister of Finance.

The Estimates outline the spending plans of each Ministry/Department submitted for approval to the Legislature in the Appropriations Act.

The Estimates referred to in the financial statement schedules are from the original Approved Estimates of Revenue and Expenditure for the fiscal year 2012/13 and do not reflect changes arising from the tabling of Supplementary Estimates, except for the Adjusted Estimates referred to in Schedule 12 which include the original Approved Estimates and any tabled Supplementary Estimates.

(b) Comparison of Expenses to Estimates for Expenditure

The Ministry of Finance prepares annual Estimates on the modified cash basis. These financial statements are prepared on an accrual basis. Due to the difference in accounting, Schedule 12 restates actual expenses to the modified cash basis for comparative and analytical purposes against the adjusted estimates. The most significant differences are as follows:

- (i) Bad Debts – For financial statement purposes, a provision is established and expensed for accounts receivable where collection is doubtful. For budget purposes, no such provision is made.
- (ii) Pension – The financial statement pension-related expense is explained in Note 9. For budget purposes, pension expense is equal to its funding requirements.
- (iii) Government Borrowing Sinking Fund (Note 5) – Transfers to the Sinking Fund are recorded as cash transfers against long-term debt. For budget purposes, the Sinking Fund contribution is considered expenditure.
- (iv) Compensated Absences – Certain Government employees are entitled to paid retirement leave, as explained in Note 8. For budget purposes, retirement pay is estimated based on anticipated salary spending for the current year.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

4. Approved Estimates of the Government of Bermuda (cont'd)

- (v) Amortization – For financial statement purposes, annual amortization of tangible capital assets is expensed based on the respective assets as explained in Note 3(f). For budget purposes, amortization is not considered expenditure.
- (vi) Environment Liability – As explained in Note 10(c), the Government has recognized a cost of restoration of land. For budget purposes, the liability established is not considered expenditure.

5. Government Borrowing Sinking Fund

Effective March 31, 1993, the Government Borrowing Sinking Fund (“GBSF”) was established as a separate legal entity for the repayment of government borrowing under the provisions of the Government Loans Act 1978, as amended.

During each financial year, the Fund must pay to the GBSF 2.5% of the public debt outstanding in the Fund at the end of the preceding year. Under section 12AA of the Government Loans Act 1978 as amended, the Minister may, by Order, suspend the annual contribution for a period of twelve months.

| 2012 \$ | | | | 2013 \$ |
|--------------|---------------|-----------|---------------------|--------------|
| Sinking Fund | Contributions | Earnings | Interest Payment | Sinking Fund |
| 114,747,081 | 30,905,014 | 2,829,089 | (\$51,339,218) | 97,141,966 |

The GBSF assets may only be applied to reduce, cancel or pay interest on public debt. The assets are invested in accordance with the Public Funds Act 1954 and are shown as a reduction of debt issued on the Fund’s Statement of Financial Position.

The assets of the GBSF are comprised of the following:

| | 2013 \$ | 2012 \$ |
|---------------------|------------|-------------|
| Fixed Term Deposits | 97,141,966 | 121,267,293 |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
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5. Government Borrowing Sinking Fund (cont'd)

The following is a schedule of projected contributions to the GBSF by the Fund up to March 31, 2018, based on estimated debt levels to March 31, 2014:

| | 2013 |
|------|-------------|
| | \$ |
| 2014 | 47,693,000 |
| 2015 | 51,374,000 |
| 2016 | 56,304,000 |
| 2017 | 55,556,000 |
| 2018 | 55,556,000 |

Separate audited financial statements are prepared for the GBSF to which readers should refer for further information.

6. Contingencies Fund

On March 14, 1979 the House of Assembly passed a resolution to withdraw \$1 million from the Fund to set up a Contingencies Fund under the provisions of Section 10(1) of the Public Treasury (Administration and Payments) Act 1969, as amended.

The purpose of the Contingencies Fund is to allow the Minister of Finance to authorize urgent and unforeseen expenditures up to \$1 million prior to the approval of the Legislature by supplementary estimate. The Contingencies Fund balance is not segregated from general operating cash and cash equivalents and accumulated deficit.

7. Unemployment Insurance Fund

The Unemployment Insurance Fund ("Insurance Fund") was established March 18, 2002 by amendment to the Public Treasury (Administration and Payments) Act 1969 under the provisions of Section 10B. The Legislature authorized \$1 million to be set aside within the Fund to set up the Insurance Fund.

The Minister of Finance will pay amounts approved by the Legislature as Government's contribution to the Insurance Fund. Monies paid into the Insurance Fund will be invested in accordance with the Public Funds Act 1954 and the interest earned on such investments will be paid into the Insurance Fund.

On August 10, 2011 the Government amended the Public Treasury (Administration and Payments) Act 1969 in order to make further provision about the Unemployment Insurance Fund. The Act has been amended to provide for payments out of the Fund to

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

7. Unemployment Insurance Fund (cont'd)

be made at the direction of the Minister of Finance for the purpose of assisting unemployed persons.

Separate audited financial statements are prepared for the Unemployment Insurance Fund to which readers should refer for further information.

8. Compensated Absences

Certain Government employees are entitled to paid retirement leave under the various union agreements that exist with the Government. Paid retirement leave is available to those eligible employees with a minimum of ten years credited service, who are retiring on the basis of age. The leave is paid at the salary level immediately preceding the date of retirement, to a maximum eligibility of twelve weeks.

An actuarial valuation of the Government's obligation for retirement leave was performed to March 31, 2012. The results were then extrapolated to March 31, 2013 using similar various long-term assumptions as the Public Service Superannuation Fund pension plan (Note 9). The extrapolation determined that the accrued benefit obligation for retirement leave is currently \$25,439,781 (2012- \$24,321,023), as defined in the table below.

| | 2013 | 2012 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Accrued benefit obligation, beginning of year | 24,321,023 | 21,995,987 |
| Amortization of experience loss | (145,685) | 60,754 |
| Current period benefit cost | 1,141,498 | 1,197,259 |
| Interest accrued | 1,443,004 | 1,487,885 |
| Benefit payments | (1,320,059) | (420,862) |
| | <hr/> | <hr/> |
| Accrued benefit obligation, end of year | <u>25,439,781</u> | <u>24,321,023</u> |

9. Pensions and Other Retirement Benefits

(a) Contributory Defined Benefit Pension Plans

The Government administers contributory defined benefit pension plans for substantially all of its employees, quasi-autonomous non-governmental organization ("QUANGO") employees and all ministers and members of the Legislature. There are two plans currently in operation – the Public Service Superannuation Fund ("PSSF") and the Ministers and Members of the Legislature Pensions Fund ("MMLPF").

9. Pensions and Other Retirement Benefits (cont'd)

For the PSSF, a service pension is available with a minimum of eight years credited service. Subject to exceptions as outlined in the Public Service Superannuation Act 1981, it is based on the number of years of service times 1.5% of the salary payable immediately preceding the date of retirement. Additional benefits are provided to special groups such as police, prison wardens, fire service and regiment employees.

For the MMLPF, a service pension is generally available to contributors who have reached age 60 and have served for at least 8 years, or to contributors who have reached age 55 and have served for at least 20 years. The rate of pension is $\frac{3}{1000}$ th of the monthly salary payable to a minister, member or officer, on the date on which the contributor becomes entitled to receive a pension, for each month of service rendered up to a maximum of 25 years. Cost of living increases are calculated by reference to the Consumer Price Index on a biennial basis.

Employees contribute 8.0% of their basic salary for PSSF and Ministers and Members contribute 12.5% of their salary for MMLPF. The Government matches the participant's contribution in each plan. The amount of Government contributions made during the year for each plan was as follows: PSSF - \$32,862,218 (2012 - \$33,338,006), MMLPF - \$475,973 (2012 - \$526,528). The Public Service Superannuation Act 1981 and the Ministers and Members of the Legislature (Salaries and Pensions) Act 1981, as amended, provide that, if at any time the funds are insufficient to meet the payments chargeable against them, the deficiency shall be made up out of the Consolidated Fund.

(b) Pension Liability

Normally, the pension liability is calculated on an actuarial basis. Actuarial valuations are performed triennially using the projected benefit method, pro-rated on services. An actuarial valuation was performed on both the PSSF and the MMLPF as at March 31, 2012. The results were then extrapolated to March 31, 2013 using the same assumptions, to produce the estimates included in the financial statements.

Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, employee turnover and mortality. The assumptions used reflect Government's best estimates of expected long-term rates and short-term forecasts.

The most significant assumptions are that the average investment return will be greater than the average rate of salary increase by approximately 2.25% (prior valuation – 2.25%) and the cost of living increase will average 3.0% (prior valuation - 3.0%) per annum.

The 1994 Group Annuity Mortality Table was used for the mortality assumption.

For the PSSF, pension fund assets consist primarily of listed stocks and bonds, short-term investment funds, hedge funds and private equity investments. Market-related asset values, which recognize the differences between the actual return on assets and

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

9. Pensions and Other Retirement Benefits (cont'd)

the expected return on assets over a period of five years, have been used to determine the pension liability and pension-related expenses for the PSSF.

The market-related value of assets for the PSSF was \$517,301,834 as at March 31, 2013 (2012 - \$492,045,167) compared to a real market value of \$544,516,882 (2012 - \$502,261,171).

For the MMLPF, there is no difference between the market value of plan assets and the market-related value. As at March 31, 2013, the value was \$12,119,242 (2012 – \$10,990,884). The actual return on plan assets during the year was 9.02% (2012 – 3.65%) for the PSSF and 7.19% (2012 - 7.17%) for the MMLPF.

As at March 31, 2013, \$27,381,870 (2012 – \$2,563,962) was due to the PSSF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)). As at March 31, 2013, \$12,438,562 (2012 – \$10,789,460) was due to the MMLPF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)).

(c) Pension-Related Expenses

Pension-related expenses recognized by the Consolidated Fund comprise the cost of pension benefits earned by employees during the year, interest on the pension benefit liability (net of interest on pension plan assets) and amortization of the Government's share of any experience gains or losses, less contributions made by the employees. The

estimated total cost of the Government's share of plan amendments related to past service is expensed in the year the plan is amended. The pension-related expense is disclosed in Note 9(g) and included in Schedule 10(a) as a component of retirement benefit expenses.

A net unamortized experience loss of \$88,024,000 (2012 - \$119,885,000) is reported in the schedule below. The amount comprises a total unamortized experience loss on the pension liability of \$69,601,000 (2012 - 100,356,000) and a total unamortized experience loss on the asset valuation of \$18,423,000 (2012 - \$19,529,000). The period of amortization is ten years.

Aggregate information about the PSSF and MMLPF is in the following tables.

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Notes to the Financial Statements
March 31, 2013

9. Pensions and Other Retirement Benefits (cont'd)

(d) Funded Status of Plans

| For the year ended March 31 | 2013 | 2012 |
|---------------------------------|----------------------|----------------------|
| | Actual | Actual |
| | \$ | \$ |
| Pension Liability | | |
| Accrued Benefit Obligation | | |
| PSSF | 1,559,247,000 | 1,475,141,000 |
| MMLPF | <u>35,281,000</u> | <u>33,539,000</u> |
| | <u>1,594,528,000</u> | <u>1,508,680,000</u> |
| Net Fund Assets | | |
| PSSF | (517,302,000) | (492,045,000) |
| MMLPF | <u>(12,119,000)</u> | <u>(10,991,000)</u> |
| | <u>(529,421,000)</u> | <u>(503,036,000)</u> |
| Net Unamortized Experience Loss | | |
| PSSF | <u>(88,024,000)</u> | <u>(119,885,000)</u> |
| Pension Liability | | |
| PSSF | 953,921,000 | 863,211,000 |
| MMLPF | <u>23,162,000</u> | <u>22,548,000</u> |
| Carried Forward to Note 9 (g) | <u>977,083,000</u> | <u>885,759,000</u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

9. Pensions and Other Retirement Benefits (cont'd)

| For the year ended March 31 | 2013 | 2012 |
|------------------------------------|---------------|---------------|
| | Actual | Actual |
| | \$ | \$ |
| Cost of Pension Benefits | 56,299,620 | 56,588,100 |
| Employee Contributions | (33,338,191) | (33,864,500) |
| Interest on Pension Liability | 66,826,298 | 62,950,921 |

Amortization of Experience Gains & Losses

| | | |
|-------------------------------|--------------------|--------------------|
| 2004 Experience Loss | 21,908,087 | 21,908,086 |
| 2005 Experience Loss | 2,048,199 | 2,048,199 |
| 2006 Experience Loss | 595,574 | 595,574 |
| 2007 Experience Gain | (351,626) | (351,626) |
| 2008 Experience Loss | 5,243,035 | 5,243,035 |
| 2009 Experience Loss | 7,608,893 | 7,608,893 |
| 2010 Experience Gain | (2,547,908) | (2,547,908) |
| 2011 Experience Loss | 442,686 | 442,686 |
| 2012 Experienced Loss | 944,481 | - |
| Carried forward to Note 9 (g) | <u>125,679,148</u> | <u>120,621,460</u> |

Value of Obligations Relating to Benefits for the Pension Plans

The value of obligations relating to benefits for the pensions plan at a given date is determined using the actuarial projections prorated on service, taking into account, among other things, the most probable long-term economic assumption made by the Government.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

9. Pensions and Other Retirement Benefits (cont'd)

Main economic assumptions used:

| | PSSF (%) | MMLPF (%) |
|-------------------------------|--------------------|---------------------|
| Inflation Rate | 3.00 | 3.00 |
| Discount Rate for Obligations | 6.50 | 6.50 |
| Salary Escalation Rate | 4.25 | 3.50 |

Changes in these assumptions may lead to a material increase or decrease in the value of the obligations relating to vested benefits. The following tables, which take the main assumptions into account, show the potential impact of a difference of 1.00% in the value of the obligations for the two pension plans, PSSF and MMLPF. The tables also show the impact of a one-year difference in life expectancy, considering that, according to current assumptions, the life expectancy of beneficiaries aged 60 is 21.8 years for men and 25.6 years for women.

Impact of changes on the main assumptions on the value of obligations relating to PSSF benefits as at March 31, 2013:

| Assumption | Change | Impact on ABO (\$) | Impact on ABO (%) |
|----------------------|-----------------|---------------------------------------|--------------------------------------|
| Discount rate | 1.0% increase | (182,401,900) | (11.7) |
| | 1.0% decrease | 228,349,200 | 14.6 |
| Salary increase rate | 1.0% increase | 62,102,900 | 4.0 |
| | 1.0% decrease | (55,753,200) | (3.6) |
| Inflation | 1.0% increase | 151,965,800 | 9.7 |
| | 1.0% decrease | (129,622,000) | (8.3) |
| Life expectancy | 1 year increase | 40,321,600 | 2.6 |
| | 1 year decrease | (37,901,200) | (2.4) |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

9. Pensions and Other Retirement Benefits (cont'd)

Impact of changes on the main assumptions on the value of obligations relating to MMLPF benefits as at March 31, 2013:

| Assumption | Change | Impact on ABO (\$) | Impact on ABO (%) |
|----------------------|-----------------|-----------------------|----------------------|
| Discount rate | 1.0% increase | (3,728,700) | (10.6) |
| | 1.0% decrease | 4,503,700 | 12.8 |
| Salary increase rate | 1.0% increase | 981,100 | 2.8 |
| | 1.0% decrease | (923,500) | (2.6) |
| Inflation | 1.0% increase | 3,520,200 | 10.0 |
| | 1.0% decrease | (3,038,500) | (8.6) |
| Life expectancy | 1 year increase | 1,470,100 | 4.2 |
| | 1 year decrease | (1,295,000) | (3.7) |

(e) Contributory Pension Fund

The Contributory Pension Fund (“CPF”) was established under the Contributory Pensions Act 1970 and subsequent amendments.

The purpose of the CPF is to provide old age pension, disability and death benefits for persons satisfying certain contribution, citizenship and residency requirements.

Contributions to the CPF are compulsory for persons employed in Bermuda, the self-employed and employers.

There is no legislative provision for the Fund to provide for any shortfall if, at any time, the CPF has insufficient funds to meet its current legislated obligations.

(f) Retirement Benefits Other than Pensions – Employee Health Insurance Plan

The Government administers a health care plan, the Government Employees Health Insurance Fund (“GEHI”), for substantially all of its employees, QUANGO employees, all ministers and members of the Legislature and retirees. The GEHI Fund provides medical insurance for retirees and eligible dependents with the Government matching the participants’ contribution to the plan. In 2002 the Government adopted accrual accounting for the GEHI plan.

An actuarial calculation of the Government’s obligations for retirement benefits other than pensions was performed for accounting purposes at March 31, 2012, using various long-term assumptions. The results were then extrapolated to March 31, 2013 using the same assumptions, to produce the estimates included in the financial statements.

9. Pensions and Other Retirement Benefits (cont'd)

The discount rate used in determining the accumulated post-retirement benefit obligation was 6.5%. The assumed health-care cost trend rate used was 9.0% (2012 - 9.0%). This will be reducing by 0.5% per annum (from 2014) to 5.0% per annum (to 2022). The 1994 Group Annuity Mortality Table was used for the mortality assumption. The value accrues a liability in respect of the matching premium paid by government under the insurance arrangement in respect of retired employees. The calculation is based on the projected benefit method pro-rated on service.

Aggregate information about the health care plan is in the table below.

| | 2013 | 2012 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Accrued benefit obligation at beginning of year | 249,883,817 | 254,254,613 |
| Current period benefit cost | 9,663,797 | 10,165,588 |
| Interest accrued | 16,344,908 | 16,647,332 |
| Benefit payments | <u>(6,511,195)</u> | <u>(6,449,217)</u> |
| Accrued benefit obligation at end of year | <u>269,381,327</u> | <u>274,618,316</u> |
| Expected accrued benefit obligation at end of year | 269,381,327 | 274,618,316 |
| Actual accrued benefit obligation at end of year | <u>269,381,327</u> | <u>249,883,817</u> |
| Experience gain | <u>-</u> | <u>24,734,499</u> |

Government of Bermuda – Consolidated Fund
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March 31, 2013

9. Pensions and Other Retirement Benefits (cont'd)

| | 2013 | 2012 |
|---|-------------|-------------|
| Expected average remaining service life | 12 years | 12 years |
| Annual amortization | 2,371,108 | \$4,619,699 |

Liability for retirement benefits recorded in the statement of financial position

| | 2013 | 2012 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Accrued benefit obligation, end of year | 269,381,327 | 249,883,817 |
| Unamortized experience losses | <u>(7,046,341)</u> | <u>(9,417,449)</u> |
| Liability for retirement benefits (Note 9(g)) | <u>262,334,986</u> | <u>240,466,368</u> |

Expenses recorded in statement of operations and accumulated deficit

| | 2013 | 2012 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Current period benefit cost | 9,663,797 | 10,165,588 |
| Amortization of experience losses | <u>2,371,108</u> | <u>4,619,699</u> |
| Retirement benefit expense | 12,034,905 | 14,785,287 |
| Retirement benefit interest expense | <u>16,344,908</u> | <u>16,647,332</u> |
| Total expenses related to retirement benefits (Note 9(g)) | <u>28,379,813</u> | <u>31,432,619</u> |

(g) Accrued Pensions and Retirement Benefits Liability and Expense Summary

| | 2013 | 2012 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Pensions (Note 9(d)) | 977,083,000 | 885,759,000 |
| Retirement Benefits other than Pensions – Health Insurance Plan (Note 9(f)) | <u>262,334,986</u> | <u>240,466,368</u> |
| Total Pensions and Retirement Benefits Liability | <u>1,239,417,986</u> | <u>1,126,225,368</u> |
| Pensions (Note 9(d)) | 125,679,148 | 120,621,460 |
| Retirement Benefits other than Pensions – Health Insurance Plan (Note 9(f)) | <u>28,379,813</u> | <u>31,432,619</u> |
| Total Pensions and Retirement Benefits Expense | <u>154,058,961</u> | <u>152,054,079</u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
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10. Contingent Liabilities

(a) Guarantees

(i) National Education Guarantee Scheme

In August 1994, the Government introduced the National Education Guarantee Scheme to provide qualifying students with financial guarantees on bank loans for post-secondary education. The repayment of principal and accrued interest is guaranteed by the Government. In the event of default by the student, the banks will call on the guarantee contract. At March 31, 2013, \$68,851 (2012 - \$179,760) is outstanding on guaranteed student loans with local banks.

(ii) West End Development Corporation (“WEDCO”) Guarantee

On April 1, 2009, the Minister of Finance consented to the borrowing of \$10 million by WEDCO from the Capital G Bank to facilitate the completion of the new Sewage Treatment Plant at Dockyard.

The Minister of Finance further approved the guarantee given by the Ministry of Public Works to repay the indebtedness by way of annual payments to WEDCO until all indebtedness to the Capital G Bank has been fully discharged.

The Ministry of Public Works further guarantees and will make good any default on the part of WEDCO in the payment of the loan to Capital G Bank and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to the Capital G Bank has been fully discharged. At March 31, 2013, \$5,714,287 (2012 - \$7,142,858) is outstanding on WEDCO’s indebtedness to Capital G (Schedule 5).

(iii) Bank of N.T. Butterfield Guarantee Agreement

On June 12, 2009, the Government assisted The Bank of N.T. Butterfield & Son Limited (“BNTB”) in raising qualifying Tier 1 capital via a perpetual preference share offering of US\$200 million.

Accordingly the Government provided the commitment that if the full \$200 million Preference Share Offering was not achieved on or prior to June 30, 2009, the Government would purchase no later than June 30, 2009 such number of Preference Shares as was sufficient to ensure that the Bank realized aggregate proceeds equal to and not less than US\$200 million. As the offering was fully subscribed, no such Government purchase was necessary.

On June 22, 2009, the Government entered into a Preference Shares Guarantee Agreement with the BNTB and others. The Government has guaranteed payment of 100% of the liquidation value of the outstanding Preferred Shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of BNTB during the term of the Guarantee. Also, the Government will act as a guarantor for the dividend payments relating to the Preferred Shares issuance. Should the BNTB fail to declare and pay dividends in any quarterly dividend

Government of Bermuda – Consolidated Fund
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10. Contingent Liabilities (cont'd)

period during the term of the Guarantee, the Government will pay such dividends at 8% per annum. As at March 31, 2013, BNTB had redeemed \$5 million preference shares.

Pursuant to the Preference Share Offering, the BNTB pays to the Government a fee of 1% per annum on the liquidation value of then outstanding Preference Shares issued to third party investors. The Government was in receipt of 4,279,601 warrants issued by the Bank to purchase a number of non-voting common shares of BNTB having an aggregate market price equal to US\$30 million. The initial exercise price for the warrants and the price for determining the number of common shares of BNTB subject to the warrants was \$7.01 per common share. The quantity of warrants is now 4,277,514.90 with an exercise price of \$3.507. Per the valuation model run for March 31, 2013, the value of the warrants is \$0.025 (2012 - \$0.08) per warrant which represents a total value of \$106,938 (2012 - \$332,062).

(iv) Bermuda Hospitals Board (“BHB”) Guarantee

On December 1, 2010, the Minister of Finance provided an irrevocable Guarantee Agreement to Paget Health Services Limited on behalf of the BHB to facilitate the completion of the New Hospital Project of the King Edward VII Memorial Hospital in Paget.

The design and construction related costs of the new facility are approximately \$247 million. Once construction is completed in 2014, annual service payments will commence for a period of thirty years, consisting of principal, interest, construction, lifecycle and hard facilities maintenance. A portion of the annual service payment is indexed over the thirty year period to allow for changes in the cost of living and other related facility costs.

The Guarantee Agreement guarantees the payment obligations of the BHB to Paget Health Services Limited by the Government as required by the lenders.

(v) Bermuda Economic Development Corporation (“BEDC”) Guarantee

The Government provides funding to BEDC to facilitate the function of the QUANGO as a guarantor on business loans for locally owned businesses in Bermuda. The Government provides funding to fulfill the payment obligations of BEDC for defaulted loans. There is no signed guarantee agreement between the Government and BEDC.

No liability has been admitted and no provision for loans in default is included in the financial statements of the Government. The total of specific amounts deemed contingent liabilities of the Government, as determined by BEDC, as at March 31, 2013 is \$3,120,941 (2012 - \$3,166,822).

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

10. Contingent Liabilities (cont'd)

(b) Claims and Potential Claims

The Government is subject to claims and potential claims related to breach of contract, damages to persons and property and like items. The effect of legal claims cannot be determined until they are settled or dismissed. No liability has been admitted and no provision for claims is included in the financial statements. Any resulting losses will be recorded and charged to operations in the year an amount can reasonably be determined.

The total of specific amounts claimed or potential settlements which are under litigation or possible litigation as at March 31, 2013 is \$10,633,686 (2012 - \$11,703,246).

(c) Base Lands Clean Up

The Government recognizes that there will be a cost for restoration of the land at the bases formerly occupied by the US military. It is anticipated that such costs would include removal of hazardous materials and clean-up.

A liability of \$38,656,865 (2012 - \$40,250,000) has been accrued, which is an estimate of the remaining costs of the clean-up and remediation at the three former major base land sites. The estimated range is \$37.5 million to \$56.5 million.

The cost for Southside (estimated at \$10.5 million, with a range of \$10.5 million to \$20 million; \$6.5 million for work already performed has been deducted from the lower end of the estimated range) involves demolition of buildings beyond refurbishment and removal of asbestos.

The cost for clean-up of Tudor Hill (estimated at \$1 million with a range of \$1 million to \$2 million) is for removal of asbestos and demolition of buildings on the site.

Clean-up of Morgan's Point is estimated at \$27.15 million (with a range of \$26 million to \$34.5 million) to remove environmental hazards and fuel storage tanks, removal and remediation of asbestos, as well as demolition of derelict buildings. This accrual was decreased by \$1.6 million, for work performed during the year.

The prior year's estimate was originally developed in 2003, based on orders of cost which were developed from unit rates used for clean-up at Southside and budget estimates from consultants hired by potential developers at the Morgan's Point site. The Government had a registered professional engineer conduct an independent review of the estimates in 2008, 2010 and 2012.

A request for proposal was issued by the Government in July 2009 with proposed cleanup standards for Morgan's Point. The registered professional engineer independently estimated in 2010 that if this proposal was to be contracted, it would cost the Government \$14 million to \$25 million in addition to the amounts previously accrued.

The Government signed the Morgan's Point Exchange Agreement with Southlands Limited and Morgan's Point Limited. The agreement exchanged 12.454 hectares of land owned by Southlands Ltd., located in Warwick, for 66.82 acres of freehold land at Morgan's Point in Southampton. Furthermore, the agreement provides Morgan's Point

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

10. Contingent Liabilities (cont'd)

Limited, as the Developer, the ability to develop an additional 128.46 acres of Leasehold property at Morgan's Point, as further detailed in the Morgan's Point Land Development Agreement, also signed and dated April 8, 2011, amongst the same parties.

Article 6 of the Morgan's Point Land Development Agreement, states the Bermuda Government is still responsible for the remediation of the Morgan's Point property to international standards deemed reasonably acceptable to the Developer. These standards are met in the RFP issued in 2009. Therefore, an additional \$14 million was accrued in the prior year to ensure the liability is within the range of the estimates developed. The Developer is still in discussions with the Bermuda Government on the remediation of the site, therefore, these estimates may change.

(d) Hotels Concession Act 2000 and the Memorandum of Understanding between the Minister of Finance and the Bermuda Hotel Association

On February 21, 2009, the Government entered into a Memorandum of Understanding ("MoU") with the Bermuda Hotel Association to provide exemptions for applicable hotels from the payment of payroll tax. The assessment of the exemption was to be done quarterly and, if applicable, would allow for the full exemption of the quarterly payroll tax. This MoU was extended to March 31, 2014.

The Hotels Concession Act 2000 allows for the full or partial exemption from or deferral of payroll tax, land tax and hotel occupancy tax for hotels which undergo development deemed to be in the national economic interest of Bermuda as if it is determinable that the development is likely, among other considerations:

- to benefit the tourism industry and the economy;
- to create employment and entrepreneurial opportunities for Bermudians;
- to encourage local development, or;
- to employ and train Bermudians.

The concessions are granted at the discretion of the Minister of Tourism with the written agreement of the Minister of Finance for those hotels that apply for the concessions. The Hotels Concession Act 2000 permits an exemption from, either in part or in full, or deferral of the payroll tax, land tax and hotel occupancy tax for a period not exceeding five years from the hotel's opening date.

The concessions afforded to the hotels are non-refundable and in instances where the payroll tax is deemed null and void due to the MoU, the concessions remain as a contra-revenue amount to be applied against any future payroll tax incurred by those hotels.

The Government is obligated to recognize the effect of the concessions when payroll tax is actually incurred unless they are dismissed by the Minister of Finance. No liability has been admitted and no provision for collectibility is included in the financial statements. Any resulting losses of payroll tax will be recorded and charged to operations in the year the payroll tax is effective.

10. Contingent Liabilities (cont'd)

The total of the hotel concessions as at March 31, 2013 is \$3,263,190 (2012 - \$3,069,262) which may be applied against any future payroll tax incurred (\$3,222,449) and future hotel occupancy tax incurred (\$40,741) by the applicable hotels.

In addition to this amount, \$1,542,088 is available for use but has not yet been granted by the Ministry of Business Development and Tourism as per the terms and conditions of the individual orders.

(e) Air Service Agreements

During 2013, the Government signed agreements with two commercial airlines whereby in consideration of providing regular scheduled air service to Bermuda, the Government is required to pay the airlines a calculated sum if there is a financial shortfall on the route. The agreements vary in detail, but guarantee the airlines either a certain level of revenue or a specific level of profit on a particular route. Shortfalls occur when ticket revenues are insufficient to cover the cost of operating the routes, either due to a lack of paying passengers ("Load Factor") or a need to discount ticket prices to attract passengers ("Yield").

The estimated liability for Air Service Agreements as at March 31, 2013 is \$1,350,138 (2012 - \$1,450,000). The actual payments made subsequent to year end relating to the agreements for fiscal year end March 31, 2013 was \$1,630,215 (2012 - \$1,775,747). In accordance with the agreements, Government established and delivered to the two commercial airlines irrevocable Letters of Credit ("LOC") issued by HSBC Bank of Bermuda Ltd. ("HSBC"), for a combined total of US\$2,000,000.

11. Non-Contractual Operational Commitments

The Government has ongoing commitments to fund a variety of programs for public welfare including health, education, social services, protection of persons and properties, and management of natural resources. The following is an analysis of the future, non-contractual, operational commitments:

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

11. Non-Contractual Operational Commitments (cont'd)

| | 2013 |
|--------------------------------------|--------------------------|
| | \$ |
| 2014 | 20,445,119 |
| 2015 | 2,305,178 |
| 2016 | 2,246,975 |
| 2017 | 2,183,836 |
| 2018 | 1,230,000 |
| 2019 and subsequent | <u>930,000</u> |
| Total Future Operational Commitments | <u><u>29,341,108</u></u> |

12. Contractual Commitments

(a) Capital Leases

The average period of capitalized leased office machines is 3 years. Leases are capitalized based on the discounted rate of 6.04% and amortized on a straight-line basis over the period of the lease.

The following is an analysis of the leases:

| | 2013 | 2012 |
|---------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Present value of lease cost | 4,906,219 | 4,602,292 |
| Less: Accumulated amortization | <u>(4,137,364)</u> | <u>(3,903,506)</u> |
| Present value of leases payable | <u><u>768,855</u></u> | <u><u>698,786</u></u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

12. Contractual Commitments (cont'd)

The following is a schedule of discounted future minimum lease payments under leases expiring up to March 31, 2017:

| | 2013 |
|-----------------------------------|-----------------------|
| | \$ |
| 2014 | 306,658 |
| 2015 | 189,337 |
| 2016 | 54,133 |
| 2017 | - |
| Add: Discounted Amount | <u>218,727</u> |
| Present value of lease obligation | <u><u>768,855</u></u> |

(b) Contractual Obligation

The nature of government activity results in some large multi-year contracts and agreements of various sizes and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts and agreements for the acquisition of goods and services or the provision of transfer payments are met.

The following is an analysis of estimated future expenditures related to these contractual obligations:

| | 2013 |
|-------------------------------|--------------------------|
| | \$ |
| 2014 | 7,017,558 |
| 2015 | 5,400,598 |
| 2016 | 2,079,295 |
| 2017 | 1,149,240 |
| 2018 | 8,473,270 |
| 2019 and subsequent | <u>7,343,180</u> |
| Total Contractual Obligations | <u><u>31,463,141</u></u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

12. Contractual Commitments (cont'd)

(c) Operating Leases

The Government rents premises under operating leases which expire at certain dates.

The following is an analysis of the future minimum operating lease payments:

| | 2013 |
|---|--------------------------|
| | \$ |
| 2014 | 8,825,860 |
| 2015 | 7,566,465 |
| 2016 | 6,162,626 |
| 2017 | 4,218,937 |
| 2018 | 3,357,235 |
| 2019 and subsequent | <u>19,098,646</u> |
| Total Future Minimum Operating Lease Payments | <u><u>49,229,769</u></u> |

13. Supplementary Estimates and Virements (Transfers)

Section 96(3) of the Bermuda Constitution Order 1968 allows for Supplementary Estimates in respect of any fiscal year it is found that (a) the amount appropriated by the appropriation law for any purpose is insufficient or that a need has arisen for expenditure

for a purpose for which no amount has been appropriated by that law; or (b) moneys have been expended for any purpose in excess of the amount appropriated for that purpose by the appropriation law or for a purpose to which no amount has been appropriated by that law, a supplementary estimate, showing the sum required or spent, shall be laid before the House of Assembly. Section 96(4) of the Bermuda Constitution Order 1968 requires that a Supplementary Appropriation Bill be introduced into the Legislature as soon as practical after year end of the year that supplementary estimates have been necessary.

The Public Treasury (Administration and Payments) Amendment Act 2004 allows a Permanent Secretary or a Head of Department to transfer a part of a Department's approved budget to another Department within the same Ministry, subject to the consent of the Minister of Finance. Virements do not increase the overall appropriation amount but facilitate the redeployment of approved budget resources after the start of a financial year.

13. Supplementary Estimates and Virements (Transfers) **(cont'd)**

During the year \$63,500,510 (2012 - \$70,376,000) in Supplementary Estimates were approved and spent which consisted of \$38,484,751 (2012 - \$70,376,000) for current expenditure and \$25,015,759 (2012 - \$0) for capital expenditure.

During the year \$26,867,688 (2012 - \$18,668,147) in virements were approved and transferred which consisted of \$3,166,882 (2012 - \$5,867,896) for current expenditure and \$23,700,506 (2012 - \$12,800,251) for capital expenditure.

Additional expenditures of \$10,325,410 (2012 - \$33,774,412) were incurred in excess of amounts appropriated by the Ministry and will require final approval, which consisted of \$10,289,080 (2012 - \$25,330,112) for current expenditure and \$36,330 (2012 - \$8,444,300) for capital expenditure.

Additional virements of \$12,038,218 (2012 - \$11,484,831) require final approval and transfer, which consisted of \$9,898,934 (2012 - \$9,056,035) for current expenditure and \$2,139,284 (2012 - \$2,428,796) for capital expenditure.

14. Related Party Transactions

(a) Funds

The Fund is related to the GEHI Fund, the CPF, the MMLPF, the Bermuda Department of Tourism North America Retirement Plan (“BDTRP”), the PSSF, the Confiscated Assets Fund, the GBSF, the Health Insurance Fund, the Mutual Re-insurance Fund, the FutureCare Fund and the Government Reserves Fund.

The financial activities of these funds are reported separately in each fund's financial statements. The Fund provides accounting and certain administrative services to these funds. These transactions are in the normal course of operations and are measured at the appropriate exchange amount. The other activities represent the net position of contributions payable to the funds and expenses paid out of the Fund on behalf of the funds. Schedules 3 and 3(a) display details of unpaid balances due from and due to the funds which have arisen from normal operating activities. The rate of interest accruing on the balances is 7% per annum.

(b) QUANGOs and Other Related Organizations

The Fund is related to certain quasi-autonomous non-governmental organizations (“QUANGOs”) and other government controlled organizations. QUANGOs are government businesses which have been established under their respective legislative incorporation acts. Other government-related organizations are organizations that are controlled by government either by the possession of shares or voting rights or by some other means.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

14. Related Party Transactions (cont'd)

The Fund enters into transactions with the QUANGOs and other related organizations in the normal course of business which are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Schedules 3 and 3(a) include details of balances due from and due to these entities which have arisen from normal operating activities. During the year, no interest was charged and/or incurred from or to the Fund and the various QUANGOs and other related organizations.

(i) Bermuda Monetary Authority (“BMA”)

In accordance with Section 8 (3) of the Bermuda Monetary Authority Act 1969, the BMA pays a portion of its net profit (historically 50%) to the Consolidated Fund of the Government.

The BMA did not report a net profit for the year ended December 31, 2012, thus no transfer was required to be made to the Consolidated Fund.

(ii) Bermuda Land Development Company Limited (“BLDC”)

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Finance.

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Public Works.

(iii) Bermuda Housing Corporation (“BHC”)

On July 12, 2011, the Government provided a letter of comfort to the Bank of NT Butterfield (“BNTB”) on behalf of the Bermuda Housing Corporation (“BHC”) which states, “To the extent that the BHC operates programmes which do not break even, the Government appropriates annual grants which enable BHC to comply with its legislation.”

(iv) WEDCO Guarantee

On April 24, 2012, the Minister of Finance consented to the borrowing of \$36 million by WEDCO from BNTB to facilitate the completion of the Infrastructure and Housing Project in Dockyard.

The Ministry of Finance further guarantees and will make good any default on the part of WEDCO in the payment of the loan to BNTB and all related interest fees

14. Related Party Transactions (cont'd)

and charges due as a result of default by WEDCO until all indebtedness to BNTB has been fully discharged.

(v) Bermuda Housing Corporation (“BHC”) Guarantee

On October 30, 2012, the Minister of Finance granted approval to the borrowing of \$36 million by BHC from BNTB to finance the purchase of the units of phase three of the Grand Atlantic Housing Development (“Grand Atlantic”) and to repay the loans advanced by the bank for Grand Atlantic phases one and two. This loan facility is for a two year duration.

The Ministry of Finance further guaranteed to make good any default on the part of BHC in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by BHC until all indebtedness to BNTB has been fully discharged.

(vi) Regulatory Authority (“RA”)

On January 22, 2013, the Government committed \$2 million to the RA as per Section 111 of the Regulatory Authority Act 2011 (“RAA”). On January 28, 2013 the Government paid \$500,000 of this commitment to the Regulatory Authority.

In accordance with Section 41 (a) of the RAA, the RA will pay 50% of its net surplus to the Consolidated Fund of the Government.

(c) Interdepartmental Transactions

Interdepartmental transactions are those transactions in which revenues and expenses are generated between Government departments and/or Ministries. These revenues and the related expenses should be eliminated from the Fund's figures. As per Note 3(d), interdepartmental revenues and expenses are not eliminated. However, all interdepartmental revenues and expenses have been identified and are shown in Schedules 9(a) and 10(c), respectively.

15. Bank Overdraft

As at March 31, 2013 the Government has an overdraft facility agreement at the Bank of NT Butterfield (“BNTB”) of \$50 million which expires on March 31, 2013. The facility bears interest at 1.50% per annum above the BNTB's Bermuda Dollar base rate.

As at March 31, 2013, the Government has an overdraft facility agreement at the Bank of Bermuda, HSBC (“HSBC”) of \$25 million which expires on March 31, 2013. The daily charges applied to overdrawn balances is 1% above HSBC's base rate. Unauthorized overdraft balances are charged at 7.50% over the bank's base rate.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

16. Temporary Loans Act (1973)

During the current fiscal year the Government had to meet some of its borrowing requirements by increasing overdraft facilities with local financial institutions. These amounts were raised under the Government Loans Act 1978 which provides the Minister of Finance with the authority to borrow in such manner and on such terms and conditions as may be agreed with the lenders; provided overall borrowing does not exceed \$2.50 billion.

This provision is in conflict with the Temporary Loans Act 1973 which restricts the Minister of Finance to certain forms of borrowing classified as temporary loans. The definition of a temporary loan is one in which principal and interest is to be repaid to the lender not later than fifteen months after the funds are raised. The limit for temporary loans established under this Act is 10% of annual budget estimates of expenditure approved by the House of Assembly for the financial year in which the borrowing takes place.

As the overdraft facilities described in Note 15 were for terms of less than fifteen months, these facilities could be classified as temporary loans.

The overdraft facilities were paid off on August 6, 2013.

17. Increase in Borrowing Limit

Effective February 22, 2013, the Government increased the legislated borrowing limit from \$1.45 billion to \$2.50 billion.

18. Subsequent Events

(a) Letter of Credit

On April 30, 2013, the Government established a letter of credit facility with HSBC for \$2.05 million for the Rhode Island Fast Ferry Inc. effective May 1, 2013.

(b) Overdraft Facilities

On June 12, 2013, the overdraft facility of \$25 million (see Note 16) with HSBC was increased to \$100 million which expired on October 31, 2013. The daily charges applied to overdrawn balances remained at 1% above HSBC's base rate. Unauthorized overdraft balances are charged at 7.50% over the bank's base rate.

On April 2, 2013, the overdraft facility of \$50 million (see Note 16) with BNTB was increased to \$100 million which expired on June 30, 2013. The facility bears interest at 1.50% per annum above the BNTB's Bermuda Dollar base rate.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013

18. Subsequent Events (cont'd)

Subsequently, on May 30, 2013, the overdraft facility of \$100 million with BNTB was increased to \$200 million which expired on September 30, 2013. The facility bears interest at 1.50% per annum above the BNTB's Bermuda Dollar base rate.

These facilities were paid off on August 7, 2013.

(c) Increase in Borrowing

On August 6, 2013, the Government entered into a public bond offering in the international debt capital markets authorizing the issue and sale of \$750 million of 10-year, fixed rate bonds priced at par. The coupon and yield of the bonds are 4.854% per annum. The bonds are due in February 2024 and interest is payable semi-annually. The net proceeds from the New Senior Notes were used to repay outstanding short-term indebtedness with local banks and to fund the current year's budget deficit, and the balance was deposited into the Sinking Fund to cover any future budget deficits.

On December 16, 2013, the Government entered into a public bond offering in the Bermuda debt capital markets authorizing the issue and sale of \$50 million of 10-year, fixed rate bonds priced at par. The coupon and yield of the bonds are 4.75% per annum.

The bonds are due in December 2023 and interest is payable semi-annually. The net proceeds from the issuance of the notes were deposited into the Sinking Fund to cover any future budget deficits.

(d) Hotels Concession Orders

In July and August 2013, the Minister of Tourism Development and Transport tabled Hotels Concession Orders in the House of Assembly. These orders were approved which resulted in three additional Hotel Concession Orders for 2013. The total value of concessions to be applied in the future against land tax, payroll tax and hotel occupancy tax under these orders is \$22,279,620.

(e) Letter of Comfort

On August 12, 2013, the Government issued a letter of comfort for the developers of the Morgan's Point Project. This letter was issued based on the request of the Developer that the Government provide \$125M of credit enhancement for the financing of the Project. The Government issued the letter to show its willingness to consider the credit enhancement, however this letter does not constitute a contract or commitment by the Government to provide credit enhancement and it is non-binding.

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2013**

19. Comparative Figures

Certain comparative figures have been restated and reclassified to conform to the current year's presentation.

Government of Bermuda - Consolidated Fund

Schedule 1: Accounts Receivable

| As at March 31 | 2013 | 2012 |
|--|--------------------|--------------------|
| | Actual | Actual |
| | \$ | \$ |
| Office of the Tax Commissioner | 177,698,720 | 164,879,657 |
| Customs | 6,509,640 | 2,176,578 |
| Registrar of Companies | 6,097,838 | 3,996,988 |
| Airport Operations | 5,881,753 | 4,507,169 |
| Works & Engineering | 5,450,870 | 5,220,326 |
| Telecommunications | 3,698,207 | 3,290,392 |
| Fire Services | 3,174,597 | 2,993,334 |
| Judicial Department | 2,936,843 | 3,711,821 |
| Post Office | 2,351,367 | 2,307,912 |
| Accountant General | 2,314,883 | 2,888,778 |
| Public Lands & Buildings | 1,805,967 | 809,149 |
| Department of Education | 1,596,859 | 1,490,174 |
| Civil Aviation | 1,207,040 | 829,928 |
| Department of Health | 1,063,169 | 1,389,906 |
| Ministry of Public Works HQ | 951,352 | 967,680 |
| Public Transportation | 715,503 | 639,581 |
| Maritime Administration | 493,546 | 319,264 |
| Conservation Services | 349,734 | 341,422 |
| Defence | 182,070 | - |
| Marine & Ports Services | 181,269 | 210,671 |
| Police | 174,983 | 165,060 |
| Human Resources | 138,656 | 165,657 |
| Environmental Protection | 130,097 | 97,627 |
| Office of the Auditor General | 68,400 | 233,000 |
| Registry General | 56,562 | 56,954 |
| Financial Assistance | 46,644 | 58,410 |
| Ministry of Health HQ | 31,708 | 31,708 |
| Planning | 26,774 | 38,711 |
| Tourism | 8,996 | 8,996 |
| Parks | 6,166 | 6,027 |
| Ministry of Environment, Planning & Infrastructure Str. HQ | 4,500 | 10,500 |
| Child & Family Services | 4,265 | 3,425 |
| Libraries | 4,067 | 979 |
| Information Technology Office | 2,301 | 44,527 |
| Energy | 984 | - |
| Attorney General's Chambers | 877 | 877 |
| Transport Control Department | 413 | 35,187 |
| National Drug Control | 250 | - |
| Ministry of Business Development & Tourism HQ | 89 | - |
| Parliamentary Registrar | 50 | 50 |
| Project Management & Procurement | - | 13,773 |
| Ministry of National Security HQ | - | 154,092 |
| Ministry of Government Estates & Information Services HQ | - | 964 |
| Land, Surveys and Registration | - | 3,360 |
| | 225,368,009 | 204,100,614 |
| Less: Provision for Doubtful Accounts | 87,393,310 | 65,129,101 |
| | 137,974,699 | 138,971,513 |

Government of Bermuda - Consolidated Fund Schedule 2: Inventories for Consumption

| As at March 31 | 2013 | 2012 |
|----------------------------------|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Public Transportation | 4,126,323 | 3,832,110 |
| Ministry of Public Works HQ | 3,159,063 | 3,332,232 |
| Marine & Ports Services | 2,601,341 | 2,350,197 |
| Works & Engineering | 2,456,891 | 2,097,020 |
| Police | 1,408,364 | 1,424,446 |
| Department of Education | 757,931 | 1,013,486 |
| Defence | 688,493 | 249,457 |
| Department of Corrections | 360,244 | 415,396 |
| Health | 329,840 | 307,525 |
| Border Control | 210,310 | - |
| Public Lands & Buildings | 186,708 | 173,337 |
| Conservation Services | 131,901 | 75,818 |
| Post Office | 23,762 | 29,373 |
| | 16,441,171 | 15,300,397 |
| Less: Provision for Obsolescence | 1,713,222 | 1,726,594 |
| | 14,727,949 | 13,573,803 |

**Government of Bermuda - Consolidated Fund
Schedule 3: Due From Gov't Funds and Agencies**

| As at March 31 | 2013 | 2012 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Health Insurance Funds | 14,712,972 | 8,969,970 |
| Bermuda Hospitals Board | 3,281,370 | 3,013,277 |
| Bermuda Monetary Authority | 1,057,284 | 1,063,479 |
| Golf Courses | 893,493 | 897,379 |
| Bermuda College | 770,370 | 274,679 |
| Confiscated Assets Fund | 767,120 | 2,783,446 |
| Bermuda Land Development Company | 730,480 | 183,417 |
| Bermuda Housing Corporation | 454,286 | 279,499 |
| CedarBridge Academy | 355,681 | 374,976 |
| West End Development Corporation | 326,791 | 299,994 |
| Pembroke Parish Council | 100,592 | 98,408 |
| Bermuda Health Council | 29,312 | 55,434 |
| Financial Intelligence Agency | 28,923 | 28,274 |
| Bermuda Economic Development Corporation | 28,271 | 30,193 |
| Parish Councils | 23,398 | 20,865 |
| Pension Commission | 20,152 | 21,145 |
| Government Reserves Fund | 18,490 | 1,129,106 |
| Berkeley Institute | 17,281 | 14,397 |
| Whitney Institute | 5,319 | 5,111 |
| Sandys Secondary Middle School | 4,248 | - |
| Unemployment Insurance Fund | 2,283 | - |
| St. George's Preparatory School | 1,694 | 814 |
| Bermuda Housing Trust | 868 | 11,368 |
| National Sports Centre | 345 | 1,298 |
| Contributory Pension Fund | - | 13,616,130 |
| Government Borrowing Sinking Fund | - | 6,520,212 |
| | 23,631,023 | 39,692,871 |
| Less: Provision for Doubtful Accounts | 8,969,970 | 8,969,970 |
| | 14,661,053 | 30,722,901 |

**Government of Bermuda - Consolidated Fund
Schedule 3(a): Due to Gov't Funds and Agencies**

| As at March 31 | 2013 | 2012 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Public Service Superannuation Fund | 27,381,870 | 2,563,962 |
| Ministers and Members Pensions Fund | 12,438,562 | 10,789,460 |
| Bermuda Hospitals Board | 10,000,000 | 24,984,362 |
| Contributory Pension Fund | 555,249 | - |
| Department of Tourism North American Retirement Plan | 211,175 | 701,256 |
| West End Development Corporation | 157,568 | 57,394 |
| Bermuda Housing Corporation | 45,400 | 400 |
| Parish Council | 5,760 | - |
| Bermuda Land Development Company | 5,142 | 5,142 |
| Bermuda Economic Development Corporation | 3,800 | 3,800 |
| Golf Courses | 1,943 | 1,943 |
| Bermuda College | 1,672 | 1,672 |
| Health Insurance Funds | - | 1,476,397 |
| Bermuda Health Council | - | 100,000 |
| Sandys Secondary Middle School | - | 65,841 |
| | 50,808,141 | 40,751,629 |

Government of Bermuda - Consolidated Fund Schedule 4: Long-Term Receivables

| As at March 31 | 2013 | 2012 |
|---|-----------|-----------|
| | Actual | Actual |
| | \$ | \$ |
| Student Loans and Teacher Training Awards | 1,183,200 | 1,090,461 |
| Customs Duty | 374,647 | 432,158 |
| | 1,557,847 | 1,522,619 |

Government of Bermuda - Consolidated Fund Schedule 5: Accounts Payable and Accrued Liabilities

| As at March 31 | 2013 | 2012 |
|---|-------------|-------------|
| | Actual | Actual |
| | \$ | \$ |
| Department Trade Accounts | 50,388,782 | 42,933,739 |
| Base Lands Clean Up | 38,656,865 | 40,250,000 |
| Interest on Debt | 21,810,526 | 17,320,437 |
| Deposits Held | 18,588,178 | 18,224,385 |
| Employees' Leave Entitlements | 17,429,708 | 17,879,671 |
| Teachers' Salaries & Leave Entitlements | 10,103,323 | 9,749,741 |
| Guarantee Payable to WEDCO (Note 10(a)) | 5,714,287 | 7,142,858 |
| Leases Payable | 550,127 | 567,740 |
| | 163,241,796 | 154,068,571 |

Government of Bermuda - Consolidated Fund Schedule 6: Deferred Revenue

| As at March 31 | 2013 | 2012 |
|------------------------------|-------------------|------------|
| | Actual | Actual |
| | \$ | \$ |
| Transport Control Department | 16,293,317 | 17,076,161 |
| Civil Aviation | 12,481,915 | 11,534,493 |
| Economy, Trade & Industry HQ | 5,524,237 | 4,507,641 |
| Post Office | 326,898 | 419,367 |
| Police | 256,851 | 160,030 |
| Environmental Protection | 133,345 | 109,836 |
| Public Lands & Buildings | 90,816 | 90,812 |
| Health Department | 52,841 | 62,874 |
| Tourism | 33,146 | 24,661 |
| Parks | 29,865 | 27,927 |
| Youth, Sport & Recreation | 14,068 | 27,688 |
| Marine & Ports Services | - | 3,975 |
| | 35,237,299 | 34,045,465 |

Government of Bermuda - Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund

As at March 31

| | 2013 | 2012 |
|--|----------------------|---------------|
| | Actual | Actual |
| | \$ | \$ |
| Senior Notes Due 2023 - US\$ | | |
| Issue Date: July 3, 2012 | | |
| Interest: 4.138% payable semi-annually January 3 and July 3 | | |
| Notes Due: July 3, 2023 | 475,000,000 | - |
| Senior Notes Due 2020 - US\$ | | |
| Issue Date: July 13, 2010 | | |
| Interest: 5.60% payable semi-annually January 20 and July 20 | | |
| Notes Due: July 20, 2020 | 500,000,000 | 500,000,000 |
| Senior Notes Due 2019 - US\$ | | |
| Issue Date: November 10, 2009 | | |
| Interest: 5.93% payable semi-annually November 10 and May 10 | | |
| Notes Due: November 10, 2019 | 80,000,000 | 80,000,000 |
| Senior Notes Due 2016- US\$ | | |
| Issue Date: November 10, 2009 | | |
| Interest: 5.27% payable semi-annually November 10 and May 10 | | |
| Notes Due: November 10, 2016 | 60,000,000 | 60,000,000 |
| Senior Notes Due 2019 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 7.38% payable semi-annually May 21 and November 21 | | |
| Notes Due: May 21, 2019 | 100,000,000 | 100,000,000 |
| Senior Notes Due 2016 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 6.98% payable semi-annually May 21 and November 21 | | |
| Notes Due: May 21, 2016 | 30,000,000 | 30,000,000 |
| Senior Notes Due 2014 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 6.55% payable semi-annually May 21 and November 21 | | |
| Notes Due: May 21, 2014 | 45,000,000 | 45,000,000 |
| Senior Notes Due 2022 - US\$ | | |
| Issue Date: December 4, 2007 | | |
| Interest: 5.73% payable semi-annually June 4 and December 4 | | |
| Notes Due: December 4, 2022 | 140,000,000 | 140,000,000 |
| Senior Notes Due 2014 - US\$ | | |
| Issue Date: June 10, 2004 | | |
| Interest: 5.39% payable semi-annually June 10 and December 10 | | |
| Notes Due: June 10, 2014 | 75,000,000 | 75,000,000 |
| Loan Facility - US\$ | | |
| Issue Date: May 18, 2011 | | |
| Interest: 4.95% payable annually | | |
| Facility Fee: 0.5% per annum payable quarterly | | |
| Loan Due: April 30, 2014 | - | 200,000,000 |
| | 1,505,000,000 | 1,230,000,000 |
| Less: Sinking Fund (Note 5) | 97,141,966 | 114,747,081 |
| | 1,407,858,034 | 1,115,252,919 |

Government of Bermuda - Consolidated Fund Schedule 8: Revenue By Type

| For the year ended March 31 | 2013 Original Estimates | 2013 Actual | 2012 Actual |
|---------------------------------------|-------------------------------|--------------------|----------------|
| | \$ | \$ | \$ |
| Taxes & Duties | | | |
| Payroll Tax | 312,000,000 | 328,023,069 | 344,702,370 |
| Customs Duty | 200,000,000 | 169,693,292 | 180,696,578 |
| Land Tax | 56,000,000 | 55,844,840 | 52,312,877 |
| Passenger Tax | 35,370,000 | 34,577,919 | 35,068,899 |
| | 603,370,000 | 588,139,120 | 612,780,724 |
| Other Taxes & Duties | | | |
| Foreign Currency Purchase Tax | 24,500,000 | 22,071,642 | 23,106,834 |
| Stamp Duty | 23,012,000 | 18,754,461 | 25,112,718 |
| Hotel Occupancy Tax | 9,000,000 | 10,002,033 | 10,906,607 |
| Non-Bermudian Land Acquisition Tax | 11,351,000 | 5,967,336 | 12,121,040 |
| Corporate Services Tax | 3,300,000 | 3,185,370 | 3,244,309 |
| Betting Tax | 1,050,000 | 1,543,828 | 1,487,450 |
| Timesharing Tax | 60,000 | 169,418 | 578,519 |
| | 72,273,000 | 61,694,088 | 76,557,477 |
| Total Taxes & Duties | 675,643,000 | 649,833,208 | 689,338,201 |
| Fees, Permits & Licences | | | |
| International Companies | 57,731,000 | 62,163,373 | 60,479,284 |
| Vehicle Licences & Registration | 27,307,000 | 26,031,165 | 26,671,933 |
| Registration of Aircraft | 21,950,000 | 23,925,970 | 23,196,885 |
| Telecommunications | 15,300,000 | 13,647,281 | 13,661,343 |
| Air Terminal & Aviation | 10,250,000 | 10,682,301 | 10,809,825 |
| Wharfage | 8,100,000 | 8,335,162 | 8,968,804 |
| Immigration | 16,605,000 | 7,985,278 | 8,730,480 |
| Bus Transportation | 8,150,000 | 7,703,962 | 7,989,490 |
| Postal Services | 5,081,000 | 5,321,611 | 5,369,529 |
| Water | 5,100,000 | 4,705,192 | 5,180,296 |
| Registration of Shipping | 3,326,000 | 4,177,276 | 4,208,866 |
| Solid Waste Services | 3,520,000 | 4,094,230 | 4,111,317 |
| Services to Seaborne Shipping | 2,550,000 | 2,768,441 | 3,036,162 |
| Local Companies | 3,121,000 | 2,808,988 | 2,778,498 |
| Rentals | 1,685,000 | 2,384,204 | 2,493,836 |
| Other Customs Fees & Charges | 2,407,000 | 2,149,659 | 2,265,187 |
| Ferry Services | 1,108,000 | 1,777,478 | 1,854,422 |
| Trade and Service Mark | 1,509,000 | 1,584,346 | 1,788,790 |
| Companies Licences | 355,000 | 774,362 | 595,049 |
| Planning Fees and Searches | 954,000 | 714,183 | 828,304 |
| Liquor Licences | 50,000 | 277,725 | 326,345 |
| Plant Production and Marketing Centre | 425,000 | 37,761 | 280,906 |
| Insurance Fees | - | 15,050 | 107,742 |
| | 196,584,000 | 194,064,998 | 195,733,293 |
| Other Revenue | | | |
| Other | 29,548,000 | 17,773,246 | 22,821,646 |
| Fines & Forfeitures | 4,359,000 | 2,075,064 | 2,822,806 |
| | 33,907,000 | 19,848,310 | 25,644,452 |
| Investment Income | 3,500,000 | 2,831,042 | 3,465,694 |
| | 37,407,000 | 22,679,352 | 29,110,146 |
| TOTAL REVENUE | 909,634,000 | 866,577,558 | 914,181,640 |

Government of Bermuda - Consolidated Fund Schedule 9: Revenue By Ministry / Department

| For the year ended March 31 | 2013 Original Estimates | 2013 Actual | 2012 Actual |
|--------------------------------------|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 63 Parliamentary Registrar | 252,000 | 360,383 | 177,278 |
| 01 Governor & Staff | - | 7,357 | 7,260 |
| 02 Legislature | - | 1,823 | - |
| 92 Internal Audit | - | 1,521 | 1,493 |
| 85 Ombudsman's Office | - | - | (486) |
| 05 Office of the Auditor General | 911,000 | (61,657) | 798,777 |
| | 1,163,000 | 309,427 | 984,322 |
| Cabinet Office Departments | | | |
| 14 Department of Statistics | - | 1,641 | (9,471) |
| 26 Department of Human Resources | - | 351 | 60 |
| 09 Cabinet Office | - | 120 | 9,298 |
| | - | 2,112 | (113) |
| Ministry of Transport | | | |
| 34 Transport Control Department | 27,307,000 | 26,145,815 | 27,029,093 |
| 57 Civil Aviation | 22,000,000 | 24,072,465 | 23,305,390 |
| 31 Airport Operations | 11,300,000 | 12,708,563 | 11,971,054 |
| 35 Public Transportation | 8,150,000 | 7,709,462 | 8,008,415 |
| 30 Marine & Ports Services | 4,970,000 | 6,044,951 | 6,172,528 |
| 73 Maritime Administration | 3,325,000 | 4,345,287 | 4,230,376 |
| 48 Ministry of Transport HQ | - | 39,503 | 33,098 |
| | 77,052,000 | 81,066,046 | 80,749,954 |
| Ministry of Justice | | | |
| 03 Judicial Department | 8,918,000 | 5,095,051 | 6,932,883 |
| 87 Ministry of Justice HQ | - | 88,924 | 32,074 |
| 75 Department of Public Prosecutions | - | 81,646 | 838 |
| 88 National Drug Control | 12,000 | 22,092 | 48,203 |
| 04 Attorney General's Chambers | - | 652 | 113 |
| 74 Court Services | - | - | 2,949 |
| 25 Department of Corrections | - | - | 1,954 |
| | 8,930,000 | 5,288,365 | 7,019,014 |
| Ministry of Finance | | | |
| 38 Office of the Tax Commissioner | 461,040,000 | 471,612,650 | 492,874,678 |
| 12 Customs | 211,170,000 | 180,776,615 | 196,995,020 |
| 10 Ministry of Finance HQ | 4,000,000 | 2,308,701 | 2,022,465 |
| 11 Accountant General | 3,500,000 | 1,300,475 | 3,987,122 |
| 28 Department of Social Insurance | - | 2,225 | 9,225 |
| | 679,710,000 | 656,000,666 | 695,888,510 |
| Ministry of Education | | | |
| 17 Department of Education | 220,000 | 193,718 | 195,366 |
| | 220,000 | 193,718 | 195,366 |
| Ministry of Health | | | |
| 22 Health Department | 2,757,000 | 3,144,716 | 2,997,293 |
| 91 Health Insurance | - | 7,914 | 4,500 |
| 21 Ministry of Health HQ | - | 3,537 | 348 |
| | 2,757,000 | 3,156,167 | 3,002,141 |

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department (cont'd)

| For the year ended March 31 | 2013 | 2013 | 2012 |
|--|-----------------------|--------------------|--------------------|
| | Original Estimates | Actual | Actual |
| | \$ | \$ | \$ |
| Ministry of the Environment, Planning & Infrastructure Strategy | | | |
| 46 Telecommunications | 15,300,000 | 13,519,708 | 13,661,343 |
| 32 Department of Planning | 1,036,000 | 936,387 | 1,002,073 |
| 72 Environmental Protection | 551,000 | 825,930 | 596,664 |
| 50 Ministry of the Environment, Planning & Infr. Str. HQ | 18,000 | 8,446 | 17,551 |
| 97 Land, Surveys & Registration | - | 1,277 | 455 |
| 42 Rent Commissioner | 1,000 | 36 | 245 |
| 49 Land Valuation | - | 30 | 530 |
| | 16,906,000 | 15,291,814 | 15,278,861 |
| Ministry of Youth, Families, Sports & Community Development | | | |
| 20 Youth, Sport & Recreation | 733,000 | 923,680 | 902,794 |
| 23 Child & Family Services | 115,000 | 78,231 | 109,981 |
| 71 Ministry of Youth, Families, Sports & Comm. Dev. HQ | - | - | 7,093 |
| 56 Human Affairs | - | (15) | 26 |
| | 848,000 | 1,001,896 | 1,019,894 |
| Ministry of National Security | | | |
| 27 Border Control | 12,406,000 | 6,734,752 | 12,895,181 |
| 45 Fire Services | 712,000 | 717,696 | 559,197 |
| 07 Police | 477,000 | 569,910 | 501,517 |
| 83 Ministry of National Security HQ | - | 11,290 | 12,144 |
| 06 Defence | - | 11,149 | 23,515 |
| | 13,595,000 | 8,044,797 | 13,991,554 |
| Ministry of Economy, Trade & Industry | | | |
| 94 Ministry Economy, Trade & Industry HQ | 15,550,000 | 7,228,040 | 7,953,214 |
| 13 Post Office | 5,163,000 | 5,239,207 | 5,399,814 |
| 52 Community and Cultural Affairs | 255,000 | 145,854 | 155,384 |
| 18 Libraries | 14,000 | 20,250 | 17,879 |
| 60 Labour & Training | 164,000 | 935 | 4,640 |
| | 21,146,000 | 12,634,286 | 13,530,931 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 10,330,000 | 11,285,228 | 11,468,254 |
| 69 Conservation Services | 825,000 | 1,160,316 | 900,512 |
| 36 Min. of Public Works HQ | 1,122,000 | 526,621 | 750,040 |
| 68 Parks | 254,000 | 234,112 | 258,456 |
| | 12,531,000 | 13,206,277 | 13,377,262 |
| Ministry of Government Estates & Information Services | | | |
| 81 Public Lands & Buildings | 11,182,000 | 2,055,370 | 2,086,073 |
| 29 Registry General | 879,000 | 725,520 | 1,115,207 |
| 19 Department of Archives | 4,000 | 1,520 | 2,902 |
| 43 Information Technology Office | - | 563 | - |
| 93 Ministry of Government Estates & Inform. Services HQ | - | (964) | - |
| | 12,065,000 | 2,782,009 | 3,204,182 |
| Ministry of Business Development & Tourism | | | |
| 39 Registrar of Companies | 61,835,000 | 66,557,740 | 64,935,135 |
| 95 Min. of Business Dev. & Tourism HQ | 842,000 | 1,007,700 | 956,898 |
| 33 Tourism | 34,000 | 34,538 | 35,929 |
| 67 E- Commerce | - | - | 11,800 |
| | 62,711,000 | 67,599,978 | 65,939,762 |
| TOTAL REVENUE | 909,634,000 | 866,577,558 | 914,181,640 |

Government of Bermuda - Consolidated Fund Schedule 9(a): Interdepartmental Revenue By Ministry / Department

| For the year ended March 31 | 2013 Interdepartmental Revenue | 2013 Gross Revenue Actual | 2013 Net Revenue |
|--------------------------------------|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 63 Parliamentary Registrar | 5,250 | 360,383 | 355,133 |
| 01 Governor & Staff | - | 7,357 | 7,357 |
| 02 Legislature | 21,691 | 1,823 | (19,868) |
| 92 Internal Audit | - | 1,521 | 1,521 |
| 05 Office of the Auditor General | 488 | (61,657) | (62,145) |
| | 27,429 | 309,427 | 281,998 |
| Cabinet Office Departments | | | |
| 14 Department of Statistics | 26,896 | 1,641 | (25,255) |
| 26 Department of Human Resources | 5,116 | 351 | (4,765) |
| 09 Cabinet Office | - | 120 | 120 |
| | 32,012 | 2,112 | (29,900) |
| Ministry of Transport | | | |
| 34 Transport Control Department | - | 26,145,815 | 26,145,815 |
| 57 Civil Aviation | - | 24,072,465 | 24,072,465 |
| 31 Airport Operations | 43,760 | 12,708,563 | 12,664,803 |
| 35 Public Transportation | 2,633 | 7,709,462 | 7,706,829 |
| 30 Marine & Ports Services | 3,541 | 6,044,951 | 6,041,410 |
| 73 Maritime Administration | 569 | 4,345,287 | 4,344,718 |
| 48 Ministry of Transport HQ | - | 39,503 | 39,503 |
| | 50,503 | 81,066,046 | 81,015,543 |
| Ministry of Justice | | | |
| 03 Judicial Department | 39,185 | 5,095,051 | 5,055,866 |
| 87 Ministry of Justice HQ | 2,800 | 88,924 | 86,124 |
| 75 Department of Public Prosecutions | - | 81,646 | 81,646 |
| 88 National Drug Control | 11,690 | 22,092 | 10,402 |
| 04 Attorney General's Chambers | - | 652 | 652 |
| 25 Department of Corrections | 679 | - | (679) |
| | 54,354 | 5,288,365 | 5,234,011 |
| Ministry of Finance | | | |
| 38 Office of the Tax Commissioner | 61,386 | 471,612,650 | 471,551,264 |
| 12 Customs | 735 | 180,776,615 | 180,775,880 |
| 10 Ministry of Finance HQ | 43,088 | 2,308,701 | 2,265,613 |
| 11 Accountant General | 3,501 | 1,300,475 | 1,296,974 |
| 28 Department of Social Insurance | - | 2,225 | 2,225 |
| | 108,710 | 656,000,666 | 655,891,956 |
| Ministry of Education | | | |
| 17 Department of Education | 2,832 | 193,718 | 190,886 |
| | 2,832 | 193,718 | 190,886 |
| Ministry of Health | | | |
| 22 Health Department | 51,713 | 3,144,716 | 3,093,003 |
| 91 Health Insurance | - | 7,914 | 7,914 |
| 21 Ministry of Health HQ | 70,998 | 3,537 | (67,461) |
| | 122,711 | 3,156,167 | 3,033,456 |

Government of Bermuda - Consolidated Fund
Schedule 9(a): Interdepartmental Revenue By Ministry / Department

| For the year ended March 31 | 2013 Interdepartmental Revenue | 2013 Gross Revenue Actual | 2013 Net Revenue |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Ministry of the Environment, Planning & Infrastructure Strategy | | | |
| 46 Telecommunications | 88,895 | 13,519,708 | 13,430,813 |
| 32 Department of Planning | 12,159 | 936,387 | 924,228 |
| 72 Environmental Protection | 1,670 | 825,930 | 824,260 |
| 50 Ministry of the Environment, Planning & Infr. Str. HQ | - | 8,446 | 8,446 |
| 97 Land, Surveys & Registration | - | 1,277 | 1,277 |
| 42 Rent Commissioner | - | 36 | 36 |
| 49 Land Valuation | - | 30 | 30 |
| 89 Energy | 1,500 | - | (1,500) |
| | 104,224 | 15,291,814 | 15,187,590 |
| Ministry of Youth, Families, Sports & Community Development | | | |
| 20 Youth, Sport & Recreation | 7,580 | 923,680 | 916,100 |
| 52 Community and Cultural Affairs | - | 145,854 | 145,854 |
| 23 Child & Family Services | 120 | 78,231 | 78,111 |
| 56 Human Affairs | - | (15) | (15) |
| | 7,700 | 1,147,750 | 1,140,050 |
| Ministry of National Security | | | |
| 27 Border Control | 2,517 | 6,734,752 | 6,732,235 |
| 45 Fire Services | - | 717,696 | 717,696 |
| 07 Police | 9,257 | 569,910 | 560,653 |
| 83 Ministry of National Security HQ | 392 | 11,290 | 10,898 |
| 06 Defence | 63,387 | 11,149 | (52,238) |
| | 75,553 | 8,044,797 | 7,969,244 |
| Ministry of Economy, Trade & Industry | | | |
| 94 Ministry Economy, Trade & Industry HQ | - | 7,228,040 | 7,228,040 |
| 13 Post Office | 15,186 | 5,239,207 | 5,224,021 |
| 60 Labour & Training | - | 935 | 935 |
| | 15,186 | 12,468,182 | 12,452,996 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 694,574 | 11,285,228 | 10,590,654 |
| 69 Conservation Services | - | 1,160,316 | 1,160,316 |
| 36 Min. of Public Works HQ | 750,835 | 526,621 | (224,214) |
| 68 Parks | - | 234,112 | 234,112 |
| | 1,445,409 | 13,206,277 | 11,760,868 |
| Ministry of Government Estates & Information Services | | | |
| 81 Public Lands & Buildings | 89,508 | 2,055,370 | 1,965,862 |
| 29 Registry General | 1,186 | 725,520 | 724,334 |
| 18 Libraries | - | 20,250 | 20,250 |
| 19 Department of Archives | 319 | 1,520 | 1,201 |
| 43 Information Technology Office | - | 563 | 563 |
| 84 E-Government | 3,148 | - | (3,148) |
| 93 Ministry of Government Estates & Inform. Services HQ | - | (964) | (964) |
| | 94,161 | 2,802,259 | 2,708,098 |
| Ministry of Business Development & Tourism | | | |
| 39 Registrar of Companies | - | 66,557,740 | 66,557,740 |
| 95 Min. of Business Dev. & Tourism HQ | 117,040 | 1,007,700 | 890,660 |
| 33 Tourism | 2,734 | 34,538 | 31,804 |
| 67 E- Commerce | 120 | - | (120) |
| | 119,894 | 67,599,978 | 67,480,084 |
| TOTAL REVENUE | 2,260,678 | 866,577,558 | 864,316,880 |

**Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program**

| For the year ended March 31 | | 2013 | 2013 | 2013 | 2013 | 2012 |
|-----------------------------|--|------------------------|------------------------|---------------------|--------------------|--------------------|
| | | Capital Development | Capital Acquisition | Current Expenses | Total Actual | Total Actual |
| | | \$ | \$ | \$ | \$ | \$ |
| Economic Development | | | | | | |
| 11 | Accountant General | - | 109,120 | 86,607,340 | 86,716,460 | 85,215,898 |
| 82 | Works & Engineering | 1,867,812 | - | 52,006,475 | 53,874,287 | 55,667,986 |
| 81 | Public Lands & Buildings | 4,447,459 | - | 39,959,436 | 44,406,895 | 42,836,029 |
| 33 | Tourism | - | (58) | 30,457,364 | 30,457,306 | 30,207,319 |
| 31 | Airport Operations | 352,126 | 10,352 | 29,819,172 | 30,181,650 | 25,595,711 |
| 35 | Public Transportation | - | 1,740 | 25,656,719 | 25,658,459 | 23,624,212 |
| 30 | Marine & Ports Services | - | 174,197 | 24,126,943 | 24,301,140 | 23,114,012 |
| 13 | Post Office | - | 17,340 | 13,672,969 | 13,690,309 | 14,306,280 |
| 36 | Ministry of Public Works HQ | 510,237 | 77,459 | 11,380,461 | 11,968,157 | 25,211,484 |
| 38 | Office of the Tax Commissioner | - | 65,332 | 11,656,136 | 11,721,468 | 12,436,940 |
| 43 | Information Technology Office | - | 1,462,726 | 9,285,585 | 10,748,311 | 10,732,080 |
| 57 | Civil Aviation | - | 131,914 | 9,150,933 | 9,282,847 | 8,489,427 |
| 12 | Customs | - | 141,843 | 7,641,326 | 7,783,169 | 8,003,558 |
| 34 | Transport Control Department | - | - | 6,157,968 | 6,157,968 | 6,698,711 |
| 10 | Ministry of Finance HQ | - | 17,500 | 5,075,665 | 5,093,165 | 10,985,162 |
| 39 | Registrar of Companies | - | 22,572 | 4,762,357 | 4,784,929 | 3,132,303 |
| 95 | Ministry of Business Development & Tourism HQ | - | 10,115 | 4,720,390 | 4,730,505 | 4,667,279 |
| 94 | Ministry of Economy, Trade & Industry HQ | - | - | 4,152,884 | 4,152,884 | 2,334,597 |
| 05 | Office of the Auditor General | - | 11,633 | 3,855,599 | 3,867,232 | 3,920,921 |
| 46 | Telecommunications | 66,756 | - | 3,520,275 | 3,587,031 | 1,718,302 |
| 32 | Department of Planning | - | - | 3,561,602 | 3,561,602 | 3,634,469 |
| 73 | Maritime Administration | - | 2,753 | 1,783,291 | 1,786,044 | 2,057,589 |
| 97 | Land, Surveys & Registration | - | 80,935 | 1,397,605 | 1,478,540 | 1,351,849 |
| 80 | Project Management & Procurement | 38,093 | - | 1,294,595 | 1,332,688 | 1,786,568 |
| 29 | Registry General | - | - | 1,276,615 | 1,276,615 | 1,331,958 |
| 84 | E-Government | - | 43,727 | 1,005,970 | 1,049,697 | 1,055,547 |
| 49 | Land Valuation | - | 1,894 | 1,041,750 | 1,043,644 | 1,093,119 |
| 48 | Ministry of Transport HQ | 68,851 | 1,904 | 670,212 | 740,967 | 1,060,884 |
| 67 | E-Commerce | - | - | 626,342 | 626,342 | 548,186 |
| 93 | Ministry of Government Estates & Inform. Services HQ | - | - | 614,344 | 614,344 | 515,946 |
| 89 | Energy | - | - | 565,303 | 565,303 | 436,728 |
| 96 | Sustainable Development | - | - | 495,061 | 495,061 | 517,396 |
| 90 | Energy, Telecommunications and E-Commerce HQ | - | - | 1,802 | 1,802 | (17,546) |
| | Amortization (Note 3(f)) | - | - | - | - | - |
| | | 7,351,334 | 2,384,998 | 398,000,489 | 407,736,821 | 414,270,904 |
| Health | | | | | | |
| 24 | Hospitals | 120,000 | - | 149,552,674 | 149,672,674 | 142,818,074 |
| 22 | Health Department | 241,213 | 34,378 | 30,512,840 | 30,788,431 | 30,493,790 |
| 91 | Health Insurance | - | - | 12,041,310 | 12,041,310 | 13,600,483 |
| 21 | Ministry of Health HQ | - | - | 11,569,056 | 11,569,056 | 11,915,339 |
| 28 | Department of Social Insurance | - | - | 6,109,235 | 6,109,235 | 8,303,921 |
| | | 361,213 | 34,378 | 209,785,115 | 210,180,706 | 207,131,607 |
| National Security | | | | | | |
| 07 | Police | 458,846 | 861,849 | 69,682,641 | 71,003,336 | 69,828,407 |
| 25 | Corrections | 274,945 | 29,775 | 28,799,443 | 29,104,163 | 29,356,822 |
| 27 | Border Control | - | 48,967 | 17,398,528 | 17,447,495 | 17,410,796 |
| 45 | Fire Services | 45,508 | 39,509 | 15,458,645 | 15,543,662 | 17,634,695 |
| 03 | Judicial Department | - | 87,705 | 8,139,938 | 8,227,643 | 8,952,494 |
| 06 | Defence | 98,976 | 140,766 | 6,486,558 | 6,726,300 | 7,469,931 |
| 87 | Ministry of Justice HQ | - | - | 6,652,601 | 6,652,601 | 6,997,884 |
| 04 | Attorney General's Chambers | - | - | 3,544,026 | 3,544,026 | 3,875,574 |
| 74 | Court Services | - | 14,040 | 3,440,679 | 3,454,719 | 3,549,519 |
| 75 | Department of Public Prosecutions | - | - | 2,614,952 | 2,614,952 | 2,550,290 |
| 83 | Ministry of National Security HQ | - | - | 1,415,579 | 1,415,579 | 1,345,028 |
| 54 | Security Services & Delegated Affairs | - | - | - | - | (8,006) |
| | | 878,275 | 1,222,611 | 163,633,590 | 165,734,476 | 168,963,434 |
| Education | | | | | | |
| 17 | Department of Education | 406,389 | 204,848 | 117,088,177 | 117,699,414 | 122,000,801 |
| 41 | Bermuda College | - | - | 18,119,000 | 18,119,000 | 18,119,000 |
| 60 | Labour & Training | - | 502 | 5,356,322 | 5,356,824 | 5,485,283 |
| 16 | Ministry of Education HQ | - | - | 3,068,666 | 3,068,666 | 3,810,693 |
| | | 406,389 | 205,350 | 143,632,165 | 144,243,904 | 149,415,777 |

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program (cont'd)

| For the year ended March 31 | | 2013 Capital Development | 2013 Capital Acquisition | 2013 Current Expenses | 2013 Total Actual | 2012 Total Actual |
|--|--|--------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Social Services & Assistance | | | | | | |
| 55 | Financial Assistance | - | 14,300 | 43,144,312 | 43,158,612 | 38,674,696 |
| 23 | Child & Family Services | - | 33,498 | 17,681,662 | 17,715,160 | 16,046,586 |
| 53 | Bermuda Housing Corporation | - | - | 6,500,000 | 6,500,000 | 6,587,000 |
| 88 | National Drug Control | - | 98,746 | 4,247,236 | 4,345,982 | 4,132,149 |
| 52 | Community & Cultural Affairs | - | - | 3,557,799 | 3,557,799 | 3,817,738 |
| 71 | Ministry of Youth, Families, Sports & Comm. Dev. HQ | - | 2,079 | 2,283,012 | 2,285,091 | 2,849,743 |
| 42 | Rent Commissioner | - | - | 524,077 | 524,077 | 554,792 |
| | | - | 148,623 | 77,938,098 | 78,086,721 | 72,662,704 |
| Other General Government Services | | | | | | |
| 20 | Youth, Sport & Recreation | 7,148,000 | - | 11,554,182 | 18,702,182 | 10,903,290 |
| 68 | Parks | 132,148 | 109,188 | 11,269,737 | 11,511,073 | 10,803,696 |
| 09 | Cabinet Office | - | 3,599 | 7,153,332 | 7,156,931 | 6,910,302 |
| 69 | Conservation Services | 233,794 | 185 | 5,488,471 | 5,722,450 | 5,433,385 |
| 02 | Legislature | 41,806 | (7,596) | 5,190,783 | 5,224,993 | 5,609,936 |
| 26 | Department of Human Resources | - | 193,140 | 3,860,900 | 4,054,040 | 3,998,344 |
| 72 | Environmental Protection | 9,013 | (1,510) | 3,417,643 | 3,425,146 | 3,257,663 |
| 14 | Department of Statistics | - | 9,876 | 2,656,086 | 2,665,962 | 2,775,463 |
| 51 | Department of Communication & Information | - | (23,997) | 2,400,875 | 2,376,878 | 2,718,786 |
| 18 | Libraries | - | 7,038 | 2,326,086 | 2,333,124 | 2,392,436 |
| 56 | Human Affairs | - | - | 2,145,512 | 2,145,512 | 2,251,731 |
| 01 | Governor & Staff | - | 1,469 | 1,605,112 | 1,606,581 | 1,782,323 |
| 63 | Parliamentary Registrar | - | (9,075) | 1,531,282 | 1,522,207 | 978,936 |
| 92 | Internal Audit | - | - | 1,479,042 | 1,479,042 | 1,372,206 |
| 19 | Department of Archives | - | 900 | 1,303,738 | 1,304,638 | 1,402,502 |
| 85 | Ombudsman's Office | - | 4,085 | 751,882 | 755,967 | 810,090 |
| 50 | Ministry of the Environment, Planning & Infra. Strategy HQ | 10,960 | - | 699,223 | 710,183 | 880,958 |
| 08 | Public Service Commission | - | - | - | - | (45) |
| 15 | Department of Management Services | - | - | - | - | (3,810) |
| | | 7,575,721 | 287,302 | 64,833,886 | 72,696,909 | 64,278,192 |
| Interest on Debt | | | | | | |
| 58 | Interest on Debt | - | - | 81,577,570 | 81,577,570 | 67,592,428 |
| | | - | - | 81,577,570 | 81,577,570 | 67,592,428 |
| Pensions and Other Employee Future Benefits | | | | | | |
| | Retirement Benefit Expenses | - | - | 114,311,376 | 114,311,376 | 113,096,438 |
| | | - | - | 114,311,376 | 114,311,376 | 113,096,438 |
| TOTAL EXPENSES | | 16,572,932 | 4,283,262 | 1,253,712,289 | 1,274,568,483 | 1,257,411,484 |

Government of Bermuda - Consolidated Fund Schedule 10(a): Current Expenses By Type

| For the year ended March 31 | 2013 Original Estimates | 2013 Actual | 2012 Actual |
|---|-------------------------------|----------------------|----------------|
| | \$ | \$ | \$ |
| Employees | | | |
| Salaries | 321,039,000 | 321,173,034 | 306,594,789 |
| Retirement Benefit Expenses (Note 4(b)(ii)) | - | 154,058,961 | 152,054,080 |
| Wages | 72,940,000 | 84,133,053 | 85,288,493 |
| Employer Overhead | 39,854,000 | 32,594,636 | 31,976,564 |
| Other Personnel Costs | 6,838,000 | 5,563,527 | 1,552,274 |
| Training | 6,648,000 | 2,306,757 | 3,824,956 |
| Compensated Absences | - | 1,118,758 | 2,325,036 |
| | 447,319,000 | 600,948,726 | 583,616,192 |
| Operations | | | |
| Grants & Contributions | 262,152,000 | 277,384,973 | 274,257,810 |
| Professional Services | 84,774,000 | 95,944,148 | 99,198,233 |
| Interest on Debt | 35,850,000 | 84,292,653 | 71,067,016 |
| Amortization (Note 3(f)) | - | 47,044,473 | 46,544,663 |
| Materials & Supplies | 27,210,000 | 23,158,414 | 27,167,645 |
| Energy | 20,707,000 | 20,573,009 | 20,656,630 |
| Advertising & Promotion | 15,086,000 | 18,135,591 | 15,663,553 |
| Repairs & Maintenance | 21,610,000 | 17,613,858 | 18,343,514 |
| Rentals | 17,981,000 | 16,794,324 | 17,766,475 |
| Bad Debts | - | 15,698,647 | 18,852,186 |
| Insurance | 12,915,000 | 12,498,541 | 13,028,695 |
| Communications | 9,897,000 | 9,181,459 | 10,038,866 |
| Transport | 5,936,000 | 3,977,255 | 5,610,817 |
| Other | 4,658,000 | 3,603,120 | 16,014,812 |
| Travel | 5,336,000 | 3,418,547 | 3,618,687 |
| Clothing & Uniforms | 2,329,000 | 1,576,116 | 2,001,481 |
| Bank Charges & Commissions | - | 977,640 | 1,513,402 |
| Equipment | 1,007,000 | 890,795 | 780,329 |
| Transfer to Other Funds (Note 4(b)(iii)) | 30,750,000 | - | - |
| | 558,198,000 | 652,763,563 | 662,124,814 |
| TOTAL CURRENT EXPENSES | 1,005,517,000 | 1,253,712,289 | 1,245,741,006 |

Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department

| For the year ended March 31 | 2013 | 2013 | 2012 |
|--|-----------------------|-------------|-------------|
| | Original Estimates | Actual | Actual |
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 02 Legislature | 5,663,000 | 5,190,783 | 5,520,620 |
| 05 Office of the Auditor General | 4,049,000 | 3,855,599 | 3,863,399 |
| 01 Governor & Staff | 1,685,000 | 1,605,112 | 1,782,323 |
| 63 Parliamentary Registrar | 1,433,000 | 1,531,282 | 920,191 |
| 92 Internal Audit | 1,703,000 | 1,479,042 | 1,372,206 |
| 85 Ombudsman's Office | 819,000 | 751,882 | 802,883 |
| 08 Public Service Commission | - | - | - |
| | 15,352,000 | 14,413,700 | 14,261,622 |
| Cabinet Office Departments | | | |
| 09 Cabinet Office | 7,392,000 | 7,153,332 | 6,891,178 |
| 26 Department of Human Resources | 4,378,000 | 3,860,900 | 4,009,253 |
| 14 Department of Statistics | 3,067,000 | 2,656,086 | 2,765,598 |
| 51 Department of Communication & Information | 2,594,000 | 2,400,875 | 2,661,882 |
| | 17,431,000 | 16,071,193 | 16,327,911 |
| Ministry of Transport | | | |
| 31 Airport Operations | 21,391,000 | 29,819,172 | 25,194,093 |
| 35 Public Transportation | 19,628,000 | 25,656,719 | 23,598,008 |
| 30 Marine & Ports Services | 19,167,000 | 24,126,943 | 23,094,307 |
| 57 Civil Aviation | 9,949,000 | 9,150,933 | 8,413,697 |
| 34 Transport Control Department | 6,686,000 | 6,157,968 | 6,698,711 |
| 73 Maritime Administration | 1,906,000 | 1,783,291 | 2,053,489 |
| 48 Ministry of Transport HQ | 797,000 | 670,212 | 1,037,046 |
| | 79,524,000 | 97,365,238 | 90,089,351 |
| Ministry of Justice | | | |
| 25 Corrections | 28,014,000 | 28,799,443 | 29,272,748 |
| 03 Judicial Department | 8,532,000 | 8,139,938 | 8,924,865 |
| 87 Ministry of Justice HQ | 6,083,000 | 6,652,601 | 6,998,254 |
| 88 National Drug Control | 3,946,000 | 4,247,236 | 4,132,149 |
| 04 Attorney General's Chambers | 4,428,000 | 3,544,026 | 3,875,574 |
| 74 Court Services | 4,511,000 | 3,440,679 | 3,540,614 |
| 75 Department of Public Prosecutions | 2,986,000 | 2,614,952 | 2,550,290 |
| | 58,500,000 | 57,438,875 | 59,294,494 |
| Ministry of Finance | | | |
| Retirement Benefit Expenses | - | 114,311,376 | 113,096,438 |
| 11 Accountant General | 51,139,000 | 86,607,339 | 85,189,099 |
| 58 Interest on Debt | 35,000,000 | 81,577,570 | 67,592,428 |
| 38 Office of the Tax Commissioner | 3,515,000 | 11,656,136 | 12,436,940 |
| 12 Customs | 7,300,000 | 7,641,326 | 8,092,349 |
| 28 Department of Social Insurance | 5,150,000 | 6,109,235 | 8,303,921 |
| 10 Ministry of Finance HQ | 5,166,000 | 5,075,665 | 10,955,162 |
| 80 Project Management & Procurement | 1,352,000 | 1,294,595 | 1,477,815 |
| 59 Sinking Fund Contribution | 30,750,000 | - | - |
| | 139,372,000 | 314,273,242 | 307,144,152 |
| Ministry of Education | | | |
| 17 Department of Education | 113,228,000 | 117,088,177 | 120,855,654 |
| 41 Bermuda College | 18,119,000 | 18,119,000 | 18,119,000 |
| 16 Ministry of Education HQ | 2,642,000 | 3,068,666 | 3,810,693 |
| | 133,989,000 | 138,275,843 | 142,785,347 |
| Ministry of Health | | | |
| 24 Hospitals | 142,578,000 | 149,552,674 | 142,698,074 |
| 22 Health Department | 31,396,000 | 30,512,840 | 30,325,520 |
| 91 Health Insurance | 4,406,000 | 12,041,310 | 13,600,483 |
| 21 Ministry of Health HQ | 12,598,000 | 11,569,056 | 11,915,339 |
| | 190,978,000 | 203,675,880 | 198,539,416 |

**Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department (cont'd)**

| For the year ended March 31 | 2013 Original Estimates | 2013 Actual | 2012 Actual |
|---|-------------------------------|----------------------|----------------|
| | \$ | \$ | \$ |
| Ministry of the Environment Planning & Infrastructure Strategy | | | |
| 32 Department of Planning | 3,933,000 | 3,561,602 | 3,634,469 |
| 46 Telecommunications | 3,029,000 | 3,520,275 | 1,620,102 |
| 72 Environmental Protection | 3,515,000 | 3,417,643 | 3,233,074 |
| 97 Land, Surveys & Registration | 1,802,000 | 1,397,605 | 1,343,314 |
| 49 Land Valuation | 787,000 | 1,041,750 | 1,081,219 |
| 50 Ministry of the Environment, Planning & Infra. Strategy HQ | 822,000 | 699,223 | 871,818 |
| 89 Energy | 754,000 | 565,303 | 436,728 |
| 42 Rent Commissioner | 588,000 | 524,077 | 554,792 |
| 96 Sustainable Development | 515,000 | 495,061 | 517,396 |
| | 15,745,000 | 15,222,539 | 13,292,912 |
| Ministry of Youth, Families, Sports & Community Development | | | |
| 55 Financial Assistance | 39,845,000 | 43,144,312 | 38,674,696 |
| 23 Child & Family Services | 18,672,000 | 17,681,662 | 16,017,687 |
| 20 Youth, Sport & Recreation | 12,053,000 | 11,554,182 | 10,865,421 |
| 71 Ministry of Youth, Families, Sports & Comm. Dev. HQ | 2,458,000 | 2,283,012 | 2,849,528 |
| 56 Human Affairs | 2,344,000 | 2,145,512 | 2,251,731 |
| | 75,372,000 | 76,808,680 | 70,659,063 |
| Ministry of National Security | | | |
| 07 Police | 68,614,000 | 69,682,641 | 69,451,897 |
| 27 Border Control | 17,693,000 | 17,398,528 | 17,379,601 |
| 45 Fire Services | 14,266,000 | 15,458,645 | 17,542,550 |
| 06 Defence | 7,189,000 | 6,486,558 | 7,442,831 |
| 83 Ministry of National Security HQ | 1,150,000 | 1,415,579 | 1,337,022 |
| | 108,912,000 | 110,441,951 | 113,153,901 |
| Ministry of Economy, Trade & Industry | | | |
| 13 Post Office | 14,143,000 | 13,672,969 | 14,181,396 |
| 60 Labour & Training | 6,007,000 | 5,356,322 | 5,485,283 |
| 94 Ministry of Economy, Trade & Industry HQ | 4,236,000 | 4,152,884 | 2,334,111 |
| 52 Community & Cultural Affairs | 3,852,000 | 3,557,799 | 3,817,738 |
| 18 Libraries | 2,348,000 | 2,326,086 | 2,390,042 |
| | 30,586,000 | 29,066,060 | 28,208,570 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 33,653,000 | 52,006,475 | 52,244,936 |
| 36 Ministry of Public Works HQ | 12,200,000 | 11,380,461 | 24,270,491 |
| 68 Parks | 10,955,000 | 11,269,737 | 10,484,198 |
| 53 Bermuda Housing Corporation | 5,500,000 | 6,500,000 | 6,587,000 |
| 69 Conservation Services | 5,698,000 | 5,488,471 | 5,235,580 |
| Amortization (Note 3(f)) | - | - | - |
| | 68,006,000 | 86,645,144 | 98,822,205 |
| Ministry of Government Estates & Information Services | | | |
| 81 Public Lands & Buildings | 20,545,000 | 39,959,436 | 41,096,293 |
| 43 Information Technology Office | 7,571,000 | 9,285,585 | 9,292,626 |
| 19 Department of Archives | 1,611,000 | 1,303,738 | 1,399,631 |
| 29 Registry General | 1,537,000 | 1,276,615 | 1,331,958 |
| 84 E-Government | 1,094,000 | 1,005,970 | 990,488 |
| 93 Ministry of Govt Estates & Information Services HQ | 835,000 | 614,344 | 515,946 |
| 90 Energy, Telecommunications and E-Commerce HQ | - | 1,802 | (17,546) |
| | 33,193,000 | 53,447,490 | 54,609,396 |
| Ministry of Business Development & Tourism | | | |
| 33 Tourism | 28,704,000 | 30,457,365 | 30,207,319 |
| 39 Registrar of Companies | 3,529,000 | 4,762,357 | 3,129,882 |
| 95 Ministry of Business Dev. & Tourism HQ | 5,244,000 | 4,720,390 | 4,667,279 |
| 67 E-Commerce | 1,080,000 | 626,342 | 548,186 |
| | 38,557,000 | 40,566,454 | 38,552,666 |
| TOTAL CURRENT EXPENSES | 1,005,517,000 | 1,253,712,289 | 1,245,741,006 |

Government of Bermuda - Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department

| For the year ended March 31 | 2013 Interdepartmental Expense | 2013 Actual Gross Expense | 2013 Net Expense |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 02 Legislature | 38,243 | 5,190,783 | 5,152,540 |
| 05 Office of the Auditor General | 85 | 3,855,599 | 3,855,514 |
| 01 Governor & Staff | 10,597 | 1,605,112 | 1,594,515 |
| 63 Parliamentary Registrar | 240 | 1,531,282 | 1,531,042 |
| 92 Internal Audit | 85 | 1,479,042 | 1,478,957 |
| 85 Ombudsman's Office | - | 751,882 | 751,882 |
| | 49,250 | 14,413,700 | 14,364,450 |
| Cabinet Office Departments | | | |
| 09 Cabinet Office | 180 | 7,153,332 | 7,153,152 |
| 26 Department of Human Resources | 31 | 3,860,900 | 3,860,869 |
| 14 Department of Statistics | 12,286 | 2,656,086 | 2,643,800 |
| 51 Department of Communication & Information | - | 2,400,875 | 2,400,875 |
| | 12,497 | 16,071,193 | 16,058,696 |
| Ministry of Transport | | | |
| 31 Airport Operations | 17,678 | 29,819,172 | 29,801,494 |
| 35 Public Transportation | 137,965 | 25,656,719 | 25,518,754 |
| 30 Marine & Ports Services | 5,503 | 24,126,943 | 24,121,440 |
| 57 Civil Aviation | 1,410 | 9,150,933 | 9,149,523 |
| 34 Transport Control Department | 795 | 6,157,968 | 6,157,173 |
| 73 Maritime Administration | 240 | 1,783,291 | 1,783,051 |
| 48 Ministry of Transport HQ | - | 670,212 | 670,212 |
| | 163,591 | 97,365,238 | 97,201,647 |
| Ministry of Justice | | | |
| 25 Corrections | 131,487 | 28,799,443 | 28,667,956 |
| 03 Judicial Department | 22,909 | 8,139,938 | 8,117,029 |
| 87 Ministry of Justice HQ | 5,068 | 6,652,601 | 6,647,533 |
| 88 National Drug Control | 31,701 | 4,247,236 | 4,215,535 |
| 04 Attorney General's Chambers | 5,257 | 3,544,026 | 3,538,769 |
| 74 Court Services | 47 | 3,440,679 | 3,440,632 |
| 75 Department of Public Prosecutions | 2,800 | 2,614,952 | 2,612,152 |
| | 199,269 | 57,438,875 | 57,239,606 |
| Ministry of Finance | | | |
| Retirement Benefit Expenses | - | 114,311,376 | 114,311,376 |
| 11 Accountant General | 4,868 | 86,607,339 | 86,602,471 |
| 58 Interest on Debt | - | 81,577,570 | 81,577,570 |
| 38 Office of the Tax Commissioner | 114,362 | 11,656,136 | 11,541,774 |
| 12 Customs | 8,445 | 7,641,326 | 7,632,881 |
| 28 Department of Social Insurance | 49,253 | 6,109,235 | 6,059,982 |
| 10 Ministry of Finance HQ | 4,346 | 5,075,665 | 5,071,319 |
| 80 Project Management & Procurement | 151 | 1,294,595 | 1,294,444 |
| | 181,425 | 314,273,242 | 314,091,817 |
| Ministry of Education | | | |
| 17 Department of Education | 44,064 | 117,088,177 | 117,044,113 |
| 41 Bermuda College | - | 18,119,000 | 18,119,000 |
| 16 Ministry of Education HQ | - | 3,068,666 | 3,068,666 |
| | 44,064 | 138,275,843 | 138,231,779 |
| Ministry of Health | | | |
| 24 Hospitals | - | 149,552,674 | 149,552,674 |
| 22 Health Department | 191,334 | 30,512,840 | 30,321,506 |
| 91 Health Insurance | - | 12,041,310 | 12,041,310 |
| 21 Ministry of Health HQ | 85 | 11,569,056 | 11,568,971 |
| | 191,419 | 203,675,880 | 203,484,461 |

Government of Bermuda - Consolidated Fund Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department

| For the year ended March 31 | 2013 | 2013 | 2013 |
|---|------------------------------|-------------------------|----------------|
| | Interdepartmental Expense | Actual Gross Expense | Net Expense |
| | \$ | \$ | \$ |
| Ministry of the Environment Planning & Infrastructure Strategy | | | |
| 32 Department of Planning | - | 3,561,602 | 3,561,602 |
| 46 Telecommunications | 3,286 | 3,520,275 | 3,516,989 |
| 72 Environmental Protection | 696 | 3,417,643 | 3,416,947 |
| 97 Land, Surveys & Registration | 85 | 1,397,605 | 1,397,520 |
| 49 Land Valuation | 120 | 1,041,750 | 1,041,630 |
| 50 Ministry of the Environment, Planning & Infra. Strategy HQ | - | 699,223 | 699,223 |
| 89 Energy | - | 565,303 | 565,303 |
| 42 Rent Commissioner | - | 524,077 | 524,077 |
| 96 Sustainable Development | - | 495,061 | 495,061 |
| | 4,187 | 15,222,539 | 15,218,352 |
| Ministry of Youth, Families, Sports & Community Development | | | |
| 55 Financial Assistance | 3,605 | 43,144,312 | 43,140,707 |
| 23 Child & Family Services | 7,052 | 17,681,662 | 17,674,610 |
| 20 Youth, Sport & Recreation | 147,121 | 11,554,182 | 11,407,061 |
| 71 Ministry of Youth, Families, Sports & Comm. Dev. HQ | 72,285 | 2,283,012 | 2,210,727 |
| 56 Human Affairs | 490 | 2,145,512 | 2,145,022 |
| | 230,553 | 76,808,680 | 76,578,127 |
| Ministry of National Security | | | |
| 07 Police | 104,378 | 69,682,641 | 69,578,263 |
| 27 Border Control | 975 | 17,398,528 | 17,397,553 |
| 45 Fire Services | 900 | 15,458,645 | 15,457,745 |
| 06 Defence | 2,205 | 6,486,558 | 6,484,353 |
| 83 Ministry of National Security HQ | - | 1,415,579 | 1,415,579 |
| | 108,458 | 110,441,951 | 110,333,493 |
| Ministry of Economy, Trade & Industry | | | |
| 13 Post Office | 7,466 | 13,672,969 | 13,665,503 |
| 60 Labour & Training | - | 5,356,322 | 5,356,322 |
| 94 Min. of Economy, Trade & Industry HQ | - | 4,152,884 | 4,152,884 |
| 52 Community & Cultural Affairs | 340 | 3,557,799 | 3,557,459 |
| 18 Libraries | - | 2,326,086 | 2,326,086 |
| | 7,806 | 29,066,060 | 29,058,254 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 331 | 52,006,475 | 52,006,144 |
| 36 Min. of Public Works HQ | 109,227 | 11,380,461 | 11,271,234 |
| 68 Parks | 35,820 | 11,269,737 | 11,233,917 |
| 53 Bermuda Housing Corporation | 750,000 | 6,500,000 | 5,750,000 |
| 69 Conservation Services | 790 | 5,488,471 | 5,487,681 |
| | 896,168 | 86,645,144 | 85,748,976 |
| Ministry of Government Estates & Information Services | | | |
| 81 Public Lands & Buildings | 85 | 39,959,436 | 39,959,351 |
| 43 Information Technology Office | 119,806 | 9,285,585 | 9,165,779 |
| 19 Department of Archives | 319 | 1,303,738 | 1,303,419 |
| 29 Registry General | 1,010 | 1,276,615 | 1,275,605 |
| 84 E-Government | - | 1,005,970 | 1,005,970 |
| 93 Min. of Govt Estates & Inform. Svcs HQ | 30 | 614,344 | 614,314 |
| 90 Energy, Telecommunications and E-Commerce HQ | - | 1,802 | 1,802 |
| | 121,250 | 53,447,490 | 53,326,240 |
| Ministry of Business Development & Tourism | | | |
| 33 Tourism | 7,317 | 30,457,365 | 30,450,048 |
| 39 Registrar of Companies | 213 | 4,762,357 | 4,762,144 |
| 95 Min. of Business Dev. & Tourism HQ | 43,088 | 4,720,390 | 4,677,302 |
| 67 E-Commerce | 120 | 626,342 | 626,222 |
| | 50,738 | 40,566,454 | 40,515,716 |
| TOTAL CURRENT EXPENSES | 2,260,675 | 1,253,712,289 | 1,251,451,614 |

**Government of Bermuda - Consolidated Fund
Schedule 11: Schedules of Tangible Capital Assets and Assets Under Construction
As at March 31, 2013**

| | Estimated Useful Life | COST | | | | | ACCUMULATED AMORTIZATION | | | | | 31-Mar-12 Net Book Value \$ | |
|--------------------------------------|-----------------------|----------------------|-------------------|----------------------------|----------------------|----------------------|--------------------------|----------------------------|----------------------|-----------------------------|---|-----------------------------|--------------------|
| | | Opening Balance \$ | Additions \$ | Disposals & Adjustments \$ | Closing Balance \$ | Opening Balance \$ | Amortization Expense \$ | Disposals & Adjustments \$ | Closing Balance \$ | 31-Mar-13 Net Book Value \$ | | | |
| Tangible Capital Assets | | | | | | | | | | | | | |
| Land | Indefinite | 45,636,778 | - | - | 45,636,778 | - | - | - | - | - | - | 45,636,778 | 45,636,778 |
| Buildings & Betterments | 40 years | 608,777,929 | 7,458,406 | - | 616,236,335 | (152,947,019) | (16,863,143) | - | (169,810,162) | - | - | 446,426,173 | 455,830,910 |
| Infrastructure | 10 - 40 Years | 172,145,090 | 5,057,523 | - | 177,202,613 | (36,473,489) | (6,434,684) | - | (42,908,173) | - | - | 134,294,439 | 135,671,601 |
| Vehicles & Heavy Equipment | 5 - 7 Years | 88,332,244 | 2,721,792 | (1,088,249) | 89,965,787 | (70,756,158) | (6,350,135) | 1,088,249 | (76,018,044) | - | - | 13,947,743 | 17,576,086 |
| Vessels | 5 - 10 Years | 44,725,596 | 16,971 | - | 44,742,567 | (33,282,078) | (2,564,012) | - | (35,846,090) | - | - | 8,896,477 | 11,443,518 |
| Computer Software | 10 years | 30,997,961 | 2,846,093 | - | 33,844,054 | (7,680,156) | (3,358,165) | - | (11,038,321) | - | - | 22,805,733 | 23,317,805 |
| Office Equipment | 5 years | 15,334,207 | 1,140,285 | - | 16,474,492 | (9,326,262) | (2,107,509) | - | (11,433,771) | - | - | 5,040,721 | 6,007,945 |
| Computer Hardware | 3 - 7 years | 13,314,817 | 1,500,857 | - | 14,815,674 | (8,873,460) | (1,801,222) | - | (10,674,682) | - | - | 4,140,993 | 4,441,357 |
| Capital Leases | 3 - 5 years | 4,602,292 | 303,927 | - | 4,906,219 | (3,903,505) | (233,858) | - | (4,137,363) | - | - | 768,856 | 698,787 |
| Furniture & Fixtures | 7 years | 4,461,900 | 234,051 | - | 4,695,951 | (2,648,574) | (530,876) | - | (3,179,450) | - | - | 1,516,501 | 1,813,326 |
| Plant, Machinery & Equipment | 10 - 30 Years | 86,269,955 | 15,664,162 | - | 101,934,117 | (37,257,862) | (6,800,868) | - | (44,058,750) | - | - | 57,875,367 | 49,012,073 |
| Total Tangible Capital Assets | | 1,114,598,769 | 36,944,067 | (1,088,249) | 1,150,454,587 | (363,148,583) | (47,044,472) | 1,088,249 | (409,104,806) | | | 741,349,781 | 751,450,187 |
| Assets Under Construction | | | | | | | | | | | | | |
| | | 40,101,565 | 31,998,590 | (28,248,235) | 43,851,920 | - | - | - | - | - | - | 43,851,920 | 40,101,565 |

Government of Bermuda - Consolidated Fund

Schedule 12: Current Expenditure - Estimates Compared to Expenditures

For the year ended March 31, 2013

| | Expenses | Expenditure * | Adjusted Estimates ** | Under (Over) Spent |
|--|-------------|---------------|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Non-Ministry Departments | | | | |
| 02 Legislature | 5,190,783 | 5,171,048 | 5,475,706 | 304,658 |
| 05 Office of the Auditor General | 3,855,599 | 3,816,544 | 4,034,165 | 217,621 |
| 01 Governor & Staff | 1,605,112 | 1,604,113 | 1,684,934 | 80,821 |
| 63 Parliamentary Registrar | 1,531,282 | 1,524,084 | 1,620,663 | 96,579 |
| 92 Internal Audit | 1,479,042 | 1,476,440 | 1,703,243 | 226,803 |
| 85 Ombudsman's Office | 751,882 | 748,594 | 800,625 | 52,031 |
| | 14,413,700 | 14,340,823 | 15,319,336 | 978,513 |
| Cabinet Office Departments | | | | |
| 09 Cabinet Office | 7,153,332 | 7,138,745 | 7,391,631 | 252,886 |
| 26 Department of Human Resources | 3,860,900 | 3,827,132 | 4,378,370 | 551,238 |
| 14 Department of Statistics | 2,656,086 | 2,642,776 | 3,030,297 | 387,521 |
| 51 Department of Communication & Information | 2,400,875 | 2,376,730 | 2,594,342 | 217,612 |
| | 16,071,193 | 15,985,383 | 17,394,640 | 1,409,257 |
| Ministry of Transport | | | | |
| 31 Airport Operations | 29,819,172 | 25,245,501 | 23,870,651 | (1,374,850) |
| 35 Public Transportation | 25,656,719 | 25,271,952 | 22,837,847 | (2,434,105) |
| 30 Marine & Ports Services | 24,126,943 | 21,200,875 | 20,826,677 | (374,198) |
| 57 Civil Aviation | 9,150,933 | 9,008,363 | 9,449,070 | 440,707 |
| 34 Transport Control Department | 6,157,968 | 5,528,401 | 5,925,641 | 397,240 |
| 73 Maritime Administration | 1,783,291 | 1,754,051 | 1,906,115 | 152,064 |
| 48 Ministry of Transport HQ | 670,212 | 668,643 | 856,854 | 188,211 |
| | 97,365,238 | 88,677,786 | 85,672,855 | (3,004,931) |
| Ministry of Justice | | | | |
| 25 Corrections | 28,799,443 | 28,482,788 | 28,013,527 | (469,261) |
| 03 Judicial Department | 8,139,938 | 8,003,719 | 8,532,323 | 528,604 |
| 87 Ministry of Justice HQ | 6,652,601 | 6,652,405 | 7,053,785 | 401,380 |
| 88 National Drug Control | 4,247,236 | 4,130,088 | 3,946,153 | (183,935) |
| 04 Attorney General's Chambers | 3,544,026 | 3,433,788 | 3,807,199 | 373,411 |
| 74 Court Services | 3,440,679 | 3,415,113 | 4,160,613 | 745,500 |
| 75 Department of Public Prosecutions | 2,614,952 | 2,611,082 | 2,986,318 | 375,236 |
| | 57,438,875 | 56,728,983 | 58,499,918 | 1,770,935 |
| Ministry of Finance | | | | |
| Retirement Benefit Expenses | 114,311,376 | - | - | - |
| 11 Accountant General | 86,607,339 | 54,367,587 | 53,139,073 | (1,228,514) |
| 58 Interest on Debt | 81,577,570 | 30,440,077 | 35,000,000 | 4,559,923 |
| 38 Office of the Tax Commissioner | 11,656,136 | 3,090,190 | 3,515,000 | 424,810 |
| 12 Customs | 7,641,326 | 6,080,940 | 7,300,371 | 1,219,431 |
| 28 Department of Social Insurance | 6,109,235 | 6,073,512 | 5,150,000 | (923,512) |
| 10 Ministry of Finance HQ | 5,075,665 | 5,061,702 | 5,165,653 | 103,951 |
| 80 Project Management & Procurement | 1,294,595 | 1,287,042 | 1,352,145 | 65,103 |
| 59 Sinking Fund Contribution | - | 30,750,000 | 30,750,000 | - |
| | 314,273,242 | 137,151,050 | 141,372,242 | 4,221,192 |
| Ministry of Education | | | | |
| 17 Department of Education | 117,088,177 | 116,015,899 | 125,299,084 | 9,283,185 |
| 41 Bermuda College | 18,119,000 | 18,119,000 | 18,119,000 | - |
| 16 Ministry of Education HQ | 3,068,666 | 3,068,666 | 3,241,661 | 172,995 |
| | 138,275,843 | 137,203,565 | 146,659,745 | 9,456,180 |
| Ministry of Health | | | | |
| 24 Hospitals | 149,552,674 | 149,552,674 | 142,578,000 | (6,974,674) |
| 22 Health Department | 30,512,840 | 29,798,732 | 31,693,319 | 1,894,587 |
| 91 Health Insurance | 12,041,310 | 12,041,310 | 9,434,296 | (2,607,014) |
| 21 Ministry of Health HQ | 11,569,056 | 11,544,985 | 12,300,764 | 755,779 |
| | 203,675,880 | 202,937,701 | 196,006,379 | (6,931,322) |

* Adjusted for Non-Budgeted, Non-Cash Items

** Includes all Approved Supplementary amounts during the year

Government of Bermuda - Consolidated Fund
Schedule 12: Current Expenditure - Estimates Compared to Expenditures (cont'd)

For the year ended March 31, 2013

| | Expenses | Expenditure* | Adjusted Estimates ** | Under (Over) Spent |
|--|----------------------|----------------------|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Ministry of the Environment, Planning & Infrastructure Strategy | | | | |
| 32 Department of Planning | 3,561,602 | 3,543,447 | 3,931,179 | 387,732 |
| 46 Telecommunications | 3,520,275 | 3,503,892 | 3,013,893 | (489,999) |
| 72 Environmental Protection | 3,417,643 | 3,299,452 | 3,510,786 | 211,334 |
| 97 Land, Surveys & Registration | 1,397,605 | 1,392,110 | 1,680,061 | 287,951 |
| 49 Land Valuation | 1,041,750 | 1,007,126 | 950,732 | (56,394) |
| 50 Ministry of the Environment, Planning & Infra. Strategy HQ | 699,223 | 695,884 | 820,458 | 124,574 |
| 89 Energy | 565,303 | 565,303 | 754,463 | 189,160 |
| 42 Rent Commissioner | 524,077 | 524,077 | 560,918 | 36,841 |
| 96 Sustainable Development | 495,061 | 495,061 | 514,818 | 19,757 |
| | 15,222,539 | 15,026,352 | 15,737,308 | 710,956 |
| Ministry of Youth, Families, Sports & Community Development | | | | |
| 55 Financial Assistance | 43,144,312 | 43,110,604 | 41,845,057 | (1,265,547) |
| 23 Child & Family Services | 17,681,662 | 17,606,254 | 18,672,288 | 1,066,034 |
| 20 Youth, Sport & Recreation | 11,554,182 | 11,494,012 | 12,052,848 | 558,836 |
| 71 Ministry of Youth, Families, Sports & Comm. Dev. HQ | 2,283,012 | 2,280,476 | 2,457,995 | 177,519 |
| 56 Human Affairs | 2,145,512 | 2,079,862 | 2,344,068 | 264,206 |
| | 76,808,680 | 76,571,208 | 77,372,256 | 801,048 |
| Ministry of National Security | | | | |
| 07 Police | 69,682,641 | 68,864,791 | 68,614,073 | (250,718) |
| 27 Border Control | 17,398,528 | 16,914,513 | 17,692,575 | 778,062 |
| 45 Fire Services | 15,458,645 | 13,655,692 | 14,265,716 | 610,024 |
| 06 Defence | 6,486,558 | 6,821,631 | 7,078,504 | 256,873 |
| 83 Ministry of National Security HQ | 1,415,579 | 1,259,015 | 1,150,459 | (108,556) |
| | 110,441,951 | 107,515,642 | 108,801,327 | 1,285,685 |
| Ministry of Economy, Trade & Industry | | | | |
| 13 Post Office | 13,672,969 | 13,446,811 | 14,105,000 | 658,189 |
| 60 Labour & Training | 5,356,322 | 5,358,044 | 5,797,870 | 439,826 |
| 94 Ministry of Economy, Trade & Industry HQ | 4,152,884 | 4,152,804 | 4,455,841 | 303,037 |
| 52 Community & Cultural Affairs | 3,557,799 | 3,549,315 | 3,874,253 | 324,938 |
| 18 Libraries | 2,326,086 | 2,304,115 | 2,348,321 | 44,206 |
| | 29,066,060 | 28,811,089 | 30,581,285 | 1,770,196 |
| Ministry of Public Works | | | | |
| 82 Works & Engineering | 52,006,475 | 39,694,205 | 39,653,170 | (41,035) |
| 36 Ministry of Public Works HQ | 11,380,461 | 12,662,212 | 12,199,808 | (462,404) |
| 68 Parks | 11,269,737 | 11,106,063 | 10,943,748 | (162,315) |
| 53 Bermuda Housing Corporation | 6,500,000 | 6,500,000 | 6,500,000 | - |
| 69 Conservation Services | 5,488,471 | 5,395,387 | 5,708,314 | 312,927 |
| | 86,645,144 | 75,357,867 | 75,005,040 | (352,827) |
| Ministry of Government Estates & Information Services | | | | |
| 81 Public Lands & Buildings | 39,959,436 | 23,435,361 | 24,179,760 | 744,399 |
| 43 Information Technology Office | 9,285,585 | 8,106,787 | 7,571,187 | (535,600) |
| 19 Department of Archives | 1,303,738 | 1,278,017 | 1,610,774 | 332,757 |
| 29 Registry General | 1,276,615 | 1,231,576 | 1,536,921 | 305,345 |
| 84 E-Government | 1,005,970 | 1,004,709 | 1,094,112 | 89,403 |
| 93 Ministry of Government Estates & Inform. Services HQ | 614,344 | 613,934 | 835,387 | 221,453 |
| 90 Energy, Telecommunications and E-Commerce HQ | 1,802 | (518) | - | 518 |
| | 53,447,490 | 35,669,866 | 36,828,141 | 1,158,275 |
| Ministry of Business Development & Tourism | | | | |
| 33 Tourism | 30,457,365 | 28,949,196 | 28,703,813 | (245,383) |
| 39 Registrar of Companies | 4,762,357 | 2,732,659 | 3,558,750 | 826,091 |
| 95 Ministry of Business Development & Tourism HQ | 4,720,390 | 4,718,237 | 5,244,041 | 525,804 |
| 67 E-Commerce | 626,342 | 625,169 | 1,050,400 | 425,231 |
| | 40,566,454 | 37,025,261 | 38,557,004 | 1,531,743 |
| TOTAL CURRENT EXPENDITURE | 1,253,712,289 | 1,029,002,576 | 1,043,807,476 | 14,804,900 |

* Adjusted for Non-Budgeted, Non-Cash Items

** Includes all Approved Supplementary amounts during the year

Government of Bermuda - Consolidated Fund Schedule 13: Commitments - Legislated

| For the year ended March 31 | 2013 | 2012 |
|-----------------------------|--------|--------|
| | Actual | Actual |
| | \$ | \$ |

Unspent Capital Appropriations

In accordance with Section 6 of the Appropriations Act 2011, unspent capital appropriations for incomplete capital projects to be carried forward to future years are as follows:

| | | |
|---------------------|-------------------|-------------------|
| Capital Development | 32,052,111 | 18,715,029 |
| Capital Acquisition | 6,506,760 | 7,037,781 |
| | 38,558,871 | 25,752,810 |

Total Authorized Funding

Total Authorized Funding represents the estimated total cost of capital development projects and is subject to the voting of supply by the Legislature. Estimated future expenditure for continuing capital development projects is as follows:

| | | |
|---|--------------------|--------------------|
| Total Authorized Funding | 921,871,431 | 962,730,796 |
| Projects Completed during the year | (16,471,271) | (56,601,688) |
| Supplementary Estimate No.1 | 25,015,759 | - |
| Revised Total Authorized Funding | 930,415,919 | 906,129,108 |
| Appropriated Capital Development | (514,932,756) | (514,348,192) |
| Unappropriated Capital Development Commitments | 415,483,163 | 391,780,916 |

Government of Bermuda - Consolidated Fund Schedule 14: Public Debt - Legislated Limit

| As at March 31 | 2013 | 2012 |
|---------------------------------------|----------------------|---------------|
| | Actual | Actual |
| | \$ | \$ |
| Debt (Schedule 7) | 1,505,000,000 | 1,230,000,000 |
| Overdraft Facility Drawdown (Note 15) | 69,000,521 | 120,720,014 |
| | 1,574,000,521 | 1,350,720,014 |
| Less: | | |
| Sinking Fund (Schedule 7) | 97,141,966 | 114,747,081 |
| Public Debt | 1,476,858,555 | 1,235,972,933 |
| Legislated Limit | 2,500,000,000 | 1,450,000,000 |
| Available Limit | 1,023,141,445 | 214,027,067 |



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement
To the House of Assembly
By

The Hon. E.T. Richards, JP, MP.
Minister of Finance

Consolidated Fund Financial Statements 2013

Date: 21 March, 2014

Mr. Speaker, in accordance with Government's commitment to effecting ongoing improvements in its Public Accounts and in reporting to Parliament, I am pleased to table audited financial statements relating to the Consolidated Fund for the year-ended March 31, 2013.

As Honourable Members are aware the Consolidated Fund is the general operating fund of the Bermuda Government and is the Fund through which Government conducts the majority of its transactions. The Consolidated Fund financial statements report the financial position, operations and changes in financial position resulting from the activities of the Government. This includes the accounts of the Senate, the House of Assembly, all Government departments and offices and all courts.

Mr. Speaker, I am pleased to note that the annual accounts of the Consolidated Fund of the Government of Bermuda were given an unqualified audit opinion for the first time in six years. Despite the clean audit opinion, the Auditor General has, for the third consecutive year, included explanatory paragraphs as ‘other matters’ which she deems appropriate. These “other matters” relate to the following:

- The increased level of the net debt and the need for the Government of Bermuda to take concerted action to address it;
- Increased incidents of non-compliance with the Government of Bermuda’s Financial Instructions; and
- The preparation of Summary Financial Statements for the Bermuda Government.

It is important to note that these explanatory paragraphs do not alter the Auditor General’s unqualified opinion, but are highlighted matters. However the Government shares the Auditor’s concerns in these areas and has already started to tackle these matters. For instance Mr. Speaker, the Ministry of Finance has already moved to a Medium Term Expenditure Framework (MTEF), which is seeking to eliminate the deficit and ultimately reduce the debt. Mr. Speaker, liabilities related to pension and other employee future benefits are included in the “Net Debt” amount disclosed in the Financial Statements and the Government has already committed to review these benefits to ensure their sustainability.

Also the Accountant General's Department has recently updated Financial Instructions (FI) and has revamped their FI training that will be delivered to Comptrollers and all Heads of Departments.

Mr. Speaker, with regard to the preparation of Summary Financial Statements for the Bermuda Government the Ministry agrees there are benefits to issuing consolidated financial statements and confirms that in the first instance, we will bring forward legislation to create the reporting entity under which the summary statements will be prepared.

Whilst legislative changes are required to effect consolidated reporting, they are simply one aspect of a complex approach that would be required to achieve this accounting objective. Accordingly, progress is being made on this important initiative, but it should be emphasised that consideration must be given to resources, accounting systems, management roles and other factors that are critical in the accomplishment of this task.

Mr. Speaker, the sign-off date for the completion of the audit was March 10th 2014. The Ministry's position is that the audited financials should be able to be completed within six months of the March 31 year-end, and have instructed the Accountant General to work diligently with the Office of the Auditor General to address the issues causing delays in issuing the annual accounts of the Consolidated Fund.

Some financial highlights of the Consolidated Fund Financial Statements 2013 are as follows:

The total revenue raised by the Consolidated Fund for fiscal 2012/13 was \$866.6 million, representing a decrease of \$47.6 million (-5.2%) from fiscal 2011/12 of \$914.2 million. This was lower than original budget estimates by approximately \$43.0 million (-4.73%). The most significant generators of revenues for fiscal 2012/13 were Payroll Taxes, accounting for \$328.0 million or 37.9% (2012 - \$344.7 million or 37.7%) and Customs Duty, accounting for \$169.7 million or 19.6% (2012 - \$180.7 million or 19.8%).

Revenues were below budget in 2012/13 mainly due to shortfalls in Customs Duty (\$30.3 million below), Other Revenue (\$11.8 million below), and Immigration Receipts (\$8.6 million below).

Current expenses for fiscal 2012/13 were \$1.254 billion (2012 - \$1.246 billion). The three largest components of current expenses were: employee costs, grants and contributions and professional services. Total employee costs were \$600.9 million or 47.9% (2012 - \$583.6 million or 46.8%) of total expenses. Included in this amount is \$114.3 million (2012 - \$113.1 million) of non-cash retirement benefit expenses. Grants and contributions were \$277.4 million or 22.13% (2012 - \$274.3 million or 22.0%) and professional services were \$96 million or 7.65% (2012 - \$99.2 million or 8.0%).

Mr. Speaker total current expenditure on a modified cash basis (budget) was \$1.029 billion (2012 – \$1.083 billion), which was \$23.4 million higher (2012 - \$81.0 million higher) than original budget estimates.

Expenditures were above budget in 2012/13 primarily due to the following items:

- Increased expenditure on Government's health subsidy programme for the youth, aged, indigent and continuing care facility;
- Various above budget expenditures in the Ministries of Transport and Public Works;
- Above budget expenditure on substitute and para-professional's salaries in the Ministry of Education;

Mr. Speaker total capital account cash expenditure was \$63.5 million, which was \$12.7 million lower than the original budget estimates.

Total capital and current account cash expenditure for 2012/13 was \$1.092 billion, which was \$10.8 million (1%) higher than the original budget estimate of \$1.082 billion.

The all-inclusive results from government operations (both current and capital) for the year ending March 31, 2013, was a deficit of \$408.0 million. There are many non - cash expenses included in this figure. If we strip those away, the modified cash all-inclusive results from government operations (on the same basis that is shown in the Budget Book) was a deficit of \$225.9 million. In 2012/13 \$51.1 million

of interest was paid from the Sinking Fund and the Government matching contribution to the Public Service Superannuation Fund was suspended, if we include these items the deficit would be \$309.3 million.

Whether on a cash basis or an accrual basis the level of deficits mentioned above are not only unsustainable but economically and fiscally imprudent.

Mr. Speaker, the statements of the Consolidated Fund provide valuable information on the financial position of the Government and I would encourage the public to examine these statements.

Thank you Mr. Speaker

March 21, 2014



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.gov.bm

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly, the Governor and the Senate

I have audited the accompanying financial statements of the Consolidated Fund of the Government of Bermuda, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and accumulated deficit, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, 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 auditing standards generally accepted in Bermuda and Canada. 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 the Consolidated Fund of the Government of Bermuda as at March 31, 2014, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Other matters

As permitted by Section 6 of the Audit Act 1990, I may include in my auditor's report any other comments arising out of the accounts that I consider appropriate.

Increasing Net Debt

Without qualifying my opinion, I wish to draw attention to the level of net debt which increased by \$172 million to \$3 billion as of March 31, 2014. Government needs to take concerted action to address this fiscal challenge.

Incidences of non-compliance with the Government of Bermuda's Financial Instructions

Also, without qualifying my opinion, I wish to draw attention to ongoing incidences of non-compliance with the Government of Bermuda's Financial Instructions which form the standard for financial controls for the Government. Although these incidences of non-compliance did not lead me to qualify my audit opinion for the current year, it revealed weaknesses and deficiencies in the control environment. It is important that the Government adheres to its internal control framework.

Usefulness of these Financial Statements is Limited

As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not summary financial statements of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund. As such, the financial statements of the Consolidated Fund for the year ended March 31, 2014 do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.



Hamilton, Bermuda
March 25, 2015

Heather A. Jacobs Matthews, JP, FCPA, FCA, CFE
Auditor General

**Government of Bermuda – Consolidated Fund
Statement of Financial Position
As at March 31**

Appendix 4

| | | 2014 | 2013 |
|--|-----------------|----------------------|----------------------|
| | | Actual | Actual |
| | | \$ | \$ |
| Liabilities | | | |
| | <u>Schedule</u> | | |
| Bank Overdraft (Note 15) | | - | 69,000,521 |
| Accounts Payable and Accrued Liabilities | 5 | 158,195,821 | 163,241,796 |
| Deferred Revenue | 6 | 36,054,549 | 35,237,299 |
| | | <u>194,250,370</u> | <u>267,479,616</u> |
| Interest Bearing Debt - Net of Sinking Fund | 7 | 1,768,442,271 | 1,407,858,034 |
| Pensions and Other Employee Future Benefits | | | |
| - Pensions and Retirement Benefits (Note 9(g)) | | 1,145,115,545 | 1,239,417,986 |
| - Compensated Absences (Note 8) | | 26,182,883 | 25,439,781 |
| | | <u>1,171,298,428</u> | <u>1,264,857,767</u> |
| Other Liabilities | | | |
| Due to Government Funds and Agencies | 3(a) | 45,728,754 | 50,808,141 |
| Total Liabilities | | 3,179,719,823 | 2,991,003,558 |
| Financial Assets | | | |
| Cash and Cash Equivalents | | 21,818,948 | 12,174,590 |
| Accounts Receivable | 1 | 136,625,225 | 137,974,699 |
| Due from Government Funds and Agencies | 3 | 23,212,713 | 14,661,053 |
| Long-Term Receivables | 4 | 1,191,140 | 1,557,847 |
| Investment in Quango (Note 14(b)(ii)) | | 5,000,000 | 5,000,000 |
| Total Financial Assets | | 187,848,026 | 171,368,189 |
| Net Debt | | 2,991,871,797 | 2,819,635,369 |
| Non-Financial Assets | | | |
| Tangible Capital Assets | 11 | 722,214,382 | 741,349,781 |
| Assets under Construction | 11 | 52,476,614 | 43,851,920 |
| Inventories for Consumption | 2 | 16,479,001 | 14,727,949 |
| Prepaid Expenses | | 2,704,490 | 5,726,072 |
| Total Non-Financial Assets | | 793,874,487 | 805,655,722 |
| Accumulated Deficit | | 2,197,997,310 | 2,013,979,647 |
| Contingent Liabilities, Non-Contractual Operational Obligations and Contractual Obligations (Notes 10, 11, 12 and Schedule 13) | | | |

The accompanying notes and schedules are an integral part of these financial statements

**Government of Bermuda – Consolidated Fund
Statement of Operations and Accumulated Deficit
For the year ended March 31**

| | | 2014 | 2013 |
|---|-------------------------|------------------------|------------------------|
| | | Actual* | Actual |
| | | \$ | \$ |
| Revenue | <u>Schedule</u> 8, 9 | | |
| Taxes & Duties | | | |
| Payroll Tax | | 330,848,121 | 328,023,069 |
| Customs Duties | | 174,951,259 | 169,693,292 |
| Other Taxes and Duties | | 62,751,362 | 61,694,088 |
| Land Tax | | 60,476,977 | 55,844,840 |
| Passenger Tax | | 33,921,396 | 34,577,919 |
| Total Taxes & Duties | | 662,949,115 | 649,833,208 |
| Fees, Permits & Licenses | | 197,038,543 | 194,064,998 |
| Other Revenue | | 20,481,618 | 19,848,310 |
| Investment Income | | 3,445,828 | 2,831,042 |
| Total Revenue | | 883,915,104 | 866,577,558 |
| Expenses | 10 | | |
| Economic Development | | 402,578,077 | 407,736,821 |
| Health | | 211,775,144 | 210,180,706 |
| National Security | | 148,265,878 | 165,734,476 |
| Education | | 141,683,778 | 144,243,904 |
| Interest on Debt | | 109,244,778 | 81,577,570 |
| Social Services & Assistance | | 83,078,244 | 78,086,721 |
| Other General Government Services | | 64,866,207 | 72,696,909 |
| Gain on Benefits Plans Amendments (Note 9(g)) | | (214,091,800) | - |
| Pensions and Retirement Benefits Expense | | 120,532,461 | 114,311,376 |
| Total Expenses | | 1,067,932,767 | 1,274,568,483 |
| Annual Deficit | | (184,017,663) | (407,990,925) |
| Accumulated Deficit, Beginning of Year | | (2,013,979,647) | (1,605,988,722) |
| Accumulated Deficit, End of Year | | (2,197,997,310) | (2,013,979,647) |

* Estimates against these actuals are provided for revenue in Schedules 8 and 9 and for current expenses in Schedules 10(a) and 10(b) for appropriation purposes.

The accompanying notes and schedules are an integral part of these financial statements

**Government of Bermuda – Consolidated Fund
Statement of Change in Net Debt
For the year ended March 31**

| | 2014 | 2013 |
|---|------------------------|-----------------|
| | Actual | Actual |
| | \$ | \$ |
| Annual Deficit | (184,017,663) | (407,990,925) |
| Change Due to Tangible Capital Assets: | | |
| Net Additions to Tangible Capital Assets | (35,541,886) | (36,944,067) |
| Net Additions to Assets under Construction | (8,624,694) | (3,750,355) |
| Amortization of Tangible Capital Assets | 54,677,285 | 47,044,473 |
| Total Change Due to Tangible Capital Assets | 10,510,705 | 6,350,051 |
| Net Additions to Inventories for Consumption | (1,751,052) | (1,154,146) |
| Net Reductions (Additions) to Prepaid Expenses | 3,021,582 | (1,691,070) |
| Total Change Due to Inventories for Consumption and Prepaid Expenses | 1,270,530 | (2,845,216) |
| Increase in Net Debt | (172,236,428) | (404,486,090) |
| Net Debt, Beginning of Year | (2,819,635,369) | (2,415,149,279) |
| Net Debt, End of Year | (2,991,871,797) | (2,819,635,369) |

The accompanying notes and schedules are an integral part of these financial statements

Government of Bermuda – Consolidated Fund
Statement of Cash Flow
For the year ended March 31

| | 2014 | 2013 |
|--|---------------------|---------------------|
| | Actual | Actual |
| | \$ | \$ |
| Operating Activities | | |
| Annual Deficit | (184,017,663) | (407,990,925) |
| Items not affecting cash: | | |
| Amortization of Tangible Capital Assets | 54,677,285 | 47,044,473 |
| (Decrease) Increase in Pension and Retirement Benefits Liability | (94,302,441) | 113,192,618 |
| Increase in Compensated Absences Liability | 743,102 | 1,118,758 |
| (Decrease) Increase in Non-Cash Working Capital | (14,873,061) | 34,599,789 |
| Cash Applied to Operating Activities | (237,772,778) | (212,035,287) |
| Capital Activities | | |
| Net Additions to Tangible Capital Assets | (35,541,886) | (36,944,067) |
| Net Additions to Assets under Construction | (8,624,694) | (3,750,355) |
| Cash Applied to Capital Activities | (44,166,580) | (40,694,422) |
| Financing Activities | | |
| Debt issues | 800,000,000 | 475,000,000 |
| (Increase) Decrease in Sinking Fund | (439,415,763) | 17,605,115 |
| Debt retirement | - | (200,000,000) |
| Cash Provided By Financing Activities | 360,584,237 | 292,605,115 |
| Net Increase in Cash and Cash Equivalents | 78,644,879 | 39,875,406 |
| Cash and Cash Equivalents, Beginning of Year | (56,825,931) | (96,701,337) |
| Cash and Cash Equivalents, End of Year | 21,818,948 | (56,825,931) |
| Cash and Cash Equivalents, End of Year | | |
| Cash and Cash Equivalents | 21,818,948 | 12,174,590 |
| Bank Overdraft | - | (69,000,521) |
| Cash and Cash Equivalents, End of Year | 21,818,948 | (56,825,931) |

The accompanying notes and schedules are an integral part of these financial statements

Government of Bermuda – Consolidated Fund

Notes to the Financial Statements

March 31, 2014

1. Authority

The Consolidated Fund (the “Fund”) operates under the authority of the Bermuda Constitution Order 1968 and amendments, and the Public Treasury (Administration and Payments) Act 1969 and amendments.

All public money is paid into the Fund and legislative authority must be obtained for any expenditure out of the Fund.

The Legislature provides authority to make payments out of the Fund in annual Appropriation Acts, Supplementary Estimates and other statutes. Unused spending authority for current account appropriations lapses at the end of the fiscal year. Unused spending authority for uncompleted capital projects is carried forward to subsequent fiscal years, subject to the approval of the Minister of Finance.

2. Reporting Entity

The Fund’s financial statements report the financial position, results of operations, change in net debt and cash flow resulting from the activities of the Fund only, which comprise the accounts of the Senate, the House of Assembly, all Government departments and offices (including the Public Service Commission) and all courts. The Fund is established and defined pursuant to Section 94 of the Bermuda Constitution Order 1968.

These financial statements are not summary consolidated financial statements of the Bermuda Government. Separate audited financial statements are prepared for all other Government organizations.

These financial statements are prepared in accordance with the legislative requirements as outlined in Sections 5 and 32A of the Public Treasury (Administration and Payments) Act 1969 and amendments.

The Government adheres to the general practice of using a Consolidated Fund as its general operating fund. Schedules 8 to 11 provide information concerning the operations, tangible capital assets and capital expenses of individual Government departments and funds and agencies comprising the Fund.

3. Summary of Significant Accounting Policies

The recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the Chartered Professional Accountants of Canada (which are promoted by the Chartered Professional Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda) are the source for the disclosure basis of accounting.

The preparation of financial statements in accordance with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014**

3. Summary of Significant Accounting Policies (cont'd)

and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are as follows:

(a) Basis

The financial statements are prepared on the accrual basis of accounting.

(b) Revenue

Revenues are accounted for in the fiscal year in which the transactions or events occurred that gave rise to the revenues.

Revenues not practicably measurable until cash is received are accounted for upon receipt.

Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are reported as deferred revenue.

(c) Expenses

Expenses are accounted for in the fiscal year that goods and services are acquired, a liability is incurred or grant payments are due.

Contributions to Government funds and agencies are expensed in the year the expenditure is made.

Classification of expenses between current account items and capital account items follows the classification in the Approved Estimates.

(d) Interdepartmental Revenues and Expenses

Interdepartmental revenues and expenses are not eliminated but have been identified as explained in Note 14(c).

(e) Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash and cash equivalents, accounts receivable, amounts due from Government funds and agencies, long-term receivables and investment in QUANGO.

Accounts receivable are recorded at cost. A provision is recorded when collection of the receivable is considered doubtful.

Long-term receivables are recorded at cost.

Investment in QUANGO is recorded at cost.

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014**

3. Summary of Significant Accounting Policies (cont'd)

(f) Non-Financial Assets

Non-Financial assets are resources that are employed for future services. They include tangible capital assets, assets under construction, inventories for consumption and prepaid expenses. The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized over the estimated useful lives of the assets. Where original acquisition documents were difficult to retrieve, the Book Value Calculator (“BVC”), developed by the Chief Appraiser of Public Works and Government Services Canada (as modified by them to address the Bermuda Government situation), was used to establish reasonable estimates of the Net Book Values in order to develop opening balances.

Other tangible capital assets that do not meet the minimum threshold requirements for their respective asset class have continued to be charged to capital expenses in the year of purchase, which is consistent with prior years. These expenses are currently classified as capital development and capital acquisition expenses on Schedule 10, Expenses by Program. Included in the capital development and capital acquisition expenses are other significant items: capital grants, repairs and maintenance, professional fees and other items which are expensed as they are incurred. Tangible capital assets that have not yet been disclosed include historical treasures.

Amortization is recorded on a straight-line basis for all assets, according to the following:

| | |
|----------------------------|---|
| Buildings | 40 years |
| Leasehold Improvements | Remaining life or lease period of the related asset |
| Betterments | Remaining life or lease period of the related asset |
| Heavy Equipment | |
| \$10,000 to \$99,999 | 5 years |
| \$100,000 and above | 7 years |
| Vehicles | |
| 2 – 3 Wheeled Vehicles | |
| \$3,000 and above | 5 years |
| 4 or More Wheeled Vehicles | |
| \$0 - \$99,999 | 5 years |
| \$100,000 and above | 7 years |

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014**

3. Summary of Significant Accounting Policies (cont'd)

| | | |
|---|--|---------------|
| Boats & Vessels | | |
| \$10,000 to \$99,999 | | 5 years |
| \$100,000 and above | | 10 years |
| Leased Equipment | | |
| \$3,000 and above | | 3 years |
| Computer Hardware | | |
| \$3,000 to \$99,999 | | 3 years |
| \$100,000 and above | | 7 years |
| All laptops and desktop computers are capitalized | | |
| Computer Software | | |
| \$20,000 and above | | 10 years |
| Furniture & Fixtures | | |
| \$3,000 and above | | 7 years |
| Office Equipment | | |
| \$3,000 and above | | 5 years |
| Plant, Machinery & Equipment | | |
| \$50,000 and above | | 10 – 30 years |
| Infrastructure | | |
| \$50,000 to \$199,999 | | 10 years |
| \$200,000 and above | | 40 years |

The Ministry of Public Works is primarily responsible for Government's tangible capital assets. In prior years, amortization was reported as a single expense item of this Ministry. Amortization expense is now reported under the respective departments. Since amortization is a non-cash expense, it is removed for appropriation reporting purposes.

Assets under construction relate to the development of buildings, betterments, vehicles, computer hardware, computer software, infrastructure, office equipment and vessels. Upon completion, the balance of assets under construction will be transferred to tangible capital assets and amortized based on the appropriate useful life.

Tangible capital assets that have historical or cultural value, including works of art, historical documents, and historical and cultural artifacts, are not recognized as tangible capital assets in these financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Inventories for consumption are comprised of spare parts and supplies that are held for

3. Summary of Significant Accounting Policies (cont'd)

future program delivery and are not intended for resale. They are valued at cost. Inventories for consumption that no longer have service potential are valued at the lower of cost and net realizable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

(g) Liabilities

Liabilities are recorded for financial obligations to organizations and individuals occurring as a result of transactions and events arising on or before the year-end. They occur as a result of contracts, agreements and legislation in force at the year-end that require the Government to repay borrowings or to pay for goods and services acquired or provided on or before the year-end. Liabilities also include grant payments due where no direct value is received in return.

(h) Translation of Foreign Currencies

The financial statements are reported in Bermuda dollars. The Bermuda dollar is valued at par with the United States dollar. Assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year-end date. Revenues and expenses originating in foreign currencies are translated at the exchange rate in effect on the date the specific transactions occurred. Translation gains and losses are included in the Statement of Operations and Accumulated Deficit.

(i) Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate payroll and land taxes, accruals for pension obligations, accruals for environmental obligations, allowances for doubtful receivables and accruals for liabilities through actuarial valuations.

The nature of the uncertainty related to the accruals for pension obligations arise because actual results may differ significantly from the Government's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of the participants. The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Government's responsibilities to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful receivables is based upon actual collectability and changes in economic conditions.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014

3. Summary of Significant Accounting Policies (cont'd)

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future condition in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

(j) Risk Management of Public Debt

Funds are borrowed in both domestic and foreign capital markets by issuing Bermuda Government senior notes and using bank loans and other credit facilities. This borrowing activity is used to fund government capital expenditure programs and other budgeted governmental operations. These transactions result in exposure to four types of risk: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates. This risk is managed by issuing debt securities as predominately fixed rates of interest rather than floating rates of interest for fixed terms.

Foreign exchange risk is the risk that debt servicing costs will increase due to a decline of the Bermuda dollar relative to other currencies. This risk is managed by maintaining a preference for debt that is issued predominately in United States ("US") dollars. The Bermuda dollar is pegged to the US dollar to eliminate the impact of any fluctuations in the exchange rates between the two.

Credit risk is the risk that a loss might occur from the failure of another party to meet its obligations under a derivative financial instrument contract. The risk is managed by issuing debt securities that have no derivatives as the underlying securities. The debt instruments are senior notes of the Bermuda Government and loan facilities with a domestic lender.

Liquidity risk is the risk that financial commitments will not be met over the short term. This risk is managed through the establishment of the Government Borrowing Sinking Fund as a separate legal entity for the repayment of government debt and to pay interest charged on long-term public debt under the provisions of the Government Loans Act 1978.

(k) Future Changes in Accounting Standards

Each year new standards and amendments to standards may be issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The standards following are not yet effective and have not been applied in preparing these financial statements.

PS 3450 Financial Instruments – a new standard providing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives.
PS 1201 Financial Statement Presentation – replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements.
PS 2601 Foreign Currency Translation – replaces PS 2600 and has revised

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014**

3. Summary of Significant Accounting Policies (cont'd)

standards on accounting for and reporting transactions denominated in a foreign currency. PS 3260 Liability for Contaminated Sites – a new standard providing guidance on reporting liabilities associated with the remediation of contaminated sites.

With the exception of PS 3260, effective for fiscal years beginning on or after April 1, 2014, each of these new standards becomes effective for fiscal years beginning on or after April 1, 2016. The Government does not intend to adopt these new standards prior to the effective dates. The impact that these standards will have on the financial statements is not deemed significant.

4. Approved Estimates of the Government of Bermuda

(a) Budget Process

Annually, the Government presents a Budget (“Estimates”) of expected revenues and expenditures for the following fiscal year.

The Government’s spending Estimates for the fiscal year commencing April 1, 2013 were presented to the Members of the Legislature by the Minister of Finance.

The Estimates outline the spending plans of each Ministry/Department submitted for approval to the Legislature in the Appropriations Act.

The Estimates referred to in the financial statement schedules are from the original Approved Estimates of Revenue and Expenditure for the fiscal year 2013/14 and do not reflect changes arising from the tabling of Supplementary Estimates, except for the Adjusted Estimates referred to in Schedule 12 which include the original Approved Estimates and any tabled Supplementary Estimates.

(b) Comparison of Expenses to Estimates for Expenditure

The Ministry of Finance prepares annual Estimates on the modified cash basis. These financial statements are prepared on an accrual basis. Due to the difference in accounting, Schedule 12 restates actual expenses to the modified cash basis for comparative and analytical purposes against the adjusted estimates. The most significant differences are as follows:

- (i) Bad Debts – For financial statement purposes, a provision is established and expensed for accounts receivable where collection is doubtful. For budget purposes, no such provision is made.
- (ii) Pension – The financial statement pension-related expense is explained in Note 9. For budget purposes, pension expense is equal to its funding requirements.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014

4. Approved Estimates of the Government of Bermuda (cont'd)

- (iii) Government Borrowing Sinking Fund (Note 5) – Transfers to the Sinking Fund are recorded as cash transfers against long-term debt. For budget purposes, the Sinking Fund contribution is considered expenditure.
- (iv) Compensated Absences – Certain Government employees are entitled to paid retirement leave, as explained in Note 8. For budget purposes, retirement pay is estimated based on anticipated salary spending for the current year.
- (v) Amortization – For financial statement purposes, annual amortization of tangible capital assets is expensed based on the respective assets as explained in Note 3(f). For budget purposes, amortization is not considered expenditure.
- (vi) Environment Liability – As explained in Note 10(c), the Government has recognized a cost of restoration of land. For budget purposes, the liability established is not considered expenditure.

5. Government Borrowing Sinking Fund

Effective March 31, 1993, the Government Borrowing Sinking Fund (“GBSF”) was established as a separate legal entity for the repayment of government borrowing under the provisions of the Government Loans Act 1978, as amended.

During each financial year, the Fund must pay to the GBSF 2.5% of the public debt outstanding in the Fund at the end of the preceding year. Under Section 12AA of the Government Loans Act 1978 as amended, the Minister may, by Order, suspend the annual contribution for a period of twelve months.

| 2013 | 2014 | | | |
|---------------------|----------------------|-----------------|-----------------------------|---------------------|
| \$ | \$ | | | |
| Sinking Fund | Contributions | Earnings | Additional Funds | Sinking Fund |
| 97,141,966 | 37,878,582 | 3,168,426 | 398,368,755 | 536,557,729 |

Up until 2013, the GBSF assets were only to be applied to reduce, cancel or pay interest on public debt. In 2013 the Government Loans Act 1978 was amended to allow excess funds borrowed to be paid into the Sinking Fund and applied to future year deficits. The assets are invested in accordance with the Public Funds Act 1954 and are shown as a reduction of debt issued on the Fund’s Statement of Financial Position.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014

5. Government Borrowing Sinking Fund (cont'd)

The assets of the GBSF are comprised of the following:

| | 2014 | 2013 |
|------------------------|-------------|-------------|
| | \$ | \$ |
| Short Term Investments | 437,286,780 | - |
| Fixed Term Deposits | 99,270,949 | 97,141,966 |

The following is a schedule of projected contributions to the GBSF by the Fund up to March 31, 2019, based on estimated debt levels to March 31, 2015:

| | 2014 |
|------|-------------|
| | \$ |
| 2015 | 47,668,750 |
| 2016 | 52,250,000 |
| 2017 | 54,625,000 |
| 2018 | 54,625,000 |
| 2019 | 54,625,000 |

There are separate audited financial statements for the GBSF to which readers should refer for further information.

6. Contingencies Fund

On March 14, 1979 the House of Assembly passed a resolution to withdraw \$1 million from the Fund to set up a Contingencies Fund under the provisions of Section 10(1) of the Public Treasury (Administration and Payments) Act 1969, as amended.

The purpose of the Contingencies Fund is to allow the Minister of Finance to authorize urgent and unforeseen expenditures up to \$1 million prior to the approval of the Legislature by supplementary estimate. The Contingencies Fund balance is not segregated from general operating cash and cash equivalents and accumulated deficit.

7. Unemployment Insurance Fund

The Unemployment Insurance Fund ("Insurance Fund") was established March 18, 2002 by amendment to the Public Treasury (Administration and Payments) Act 1969 under the provisions of Section 10B. The Legislature authorized \$1 million to be set aside within the Fund to set up the Insurance Fund.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014

7. Unemployment Insurance Fund (cont'd)

The Minister of Finance will pay amounts approved by the Legislature as Government's contribution to the Insurance Fund. Monies paid into the Insurance Fund will be invested in accordance with the Public Funds Act 1954 and the interest earned on such investments will be paid into the Insurance Fund.

On August 10, 2011 the Government amended the Public Treasury (Administration and Payments) Act 1969 in order to make further provision about the Unemployment Insurance Fund. The Act was amended to provide for payments out of the Fund to be made at the direction of the Minister of Finance for the purpose of assisting unemployed persons.

8. Compensated Absences

Certain Government employees are entitled to paid retirement leave under the various union agreements that exist with the Government. Paid retirement leave is available to those eligible employees with a minimum of ten years credited service, who are retiring on the basis of age. The leave is paid at the salary level immediately preceding the date of retirement, to a maximum eligibility of twelve weeks.

An actuarial valuation of the Government's obligation for retirement leave was performed at March 31, 2014 using similar various long-term assumptions as the Public Service Superannuation Fund pension plan (Note 9). The valuation determined that the accrued benefit obligation for retirement leave is currently \$26,182,883 (2013 - \$25,439,781), as defined in the table below.

| | 2014 | 2013 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Accrued benefit obligation, beginning of year | 25,439,781 | 24,321,023 |
| Amortization of experience loss | (145,685) | (145,685) |
| Current period benefit cost | 1,190,012 | 1,141,498 |
| Interest accrued | 1,510,781 | 1,443,004 |
| Benefit payments | (1,812,006) | (1,320,059) |
| | <hr/> | <hr/> |
| Accrued benefit obligation, end of year | <u>26,182,883</u> | <u>25,439,781</u> |

9. Pensions and Other Retirement Benefits

(a) Contributory Defined Benefit Pension Plans

The Government administers contributory defined benefit pension plans for substantially all of its employees, quasi-autonomous non-governmental organization (“QUANGO”) employees and all ministers and members of the Legislature. There are two plans currently in operation – the Public Service Superannuation Fund (“PSSF”) and the Ministers and Members of the Legislature Pensions Fund (“MMLPF”).

For the PSSF, a service pension is available with a minimum of eight years credited service. Subject to exceptions as outlined in the Public Service Superannuation Act 1981, it is based on the number of years of service times 1.5% of the salary payable immediately preceding the date of retirement. Additional benefits are provided to special groups such as police, corrections and fire services officers.

For the MMLPF, a service pension is generally available to contributors who have reached age 60 and have served for at least 8 years, or to contributors who have reached age 55 and have served for at least 20 years. The rate of pension is 3/1000th of the monthly salary payable to a minister, member or officer, on the date on which the contributor becomes entitled to receive a pension, for each month of service rendered up to a maximum of 25 years.

Employees contribute 8.0% of their basic salary for PSSF and Ministers and Members contribute 12.5% of their salary for MMLPF. The Government matches the participant’s contribution in each plan. The amount of Government contributions made during the year for each plan was as follows: PSSF - \$33,093,862 (2013 - \$32,862,218), MMLPF - \$454,927 (2013 - \$475,973). The Public Service Superannuation Act 1981 and the Ministers and Members of the Legislature (Salaries and Pensions) Act 1981, as amended, provide that, if at any time the funds are insufficient to meet the payments chargeable against them, the deficiency shall be made up out of the Consolidated Fund.

(b) Pension Liability

Normally, the pension liability is calculated on an actuarial basis. Actuarial valuations are performed triennially using the projected benefit method, pro-rated on services. An actuarial valuation was performed on both the PSSF and the MMLPF as at March 31, 2014 to produce the estimates included in the financial statements.

Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, employee turnover and mortality. The assumptions used reflect Government’s best estimates of expected long-term rates and short-term forecasts.

The most significant assumptions are that the average investment return will be greater than the average rate of salary increase by approximately 2.25% (prior valuation – 2.25%) and the cost of living increase will be 0% per annum (prior valuation – 3%) as it has been suspended as at March 31, 2014 (Note 9 (c)).

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014

9. Pensions and Other Retirement Benefits (cont'd)

As at March 31, 2014, the Bermuda Government has adopted the new Canadian CPM2014Publ scale (with full generational mortality improvement, using Scale CPM-B for the mortality assumption). The adoption of these tables has resulted in a material increase in the projected accrued benefit obligations (“ABO”) of the funds. The Bermuda Government will recognize the cost of adopting the new mortality tables in the current year.

For the PSSF, pension fund assets consist primarily of listed stocks and bonds, short-term investment funds, hedge funds and private equity investments. Market-related asset values, which recognize the differences between the actual return on assets and the expected return on assets over a period of five years, have been used to determine the pension liability and pension-related expenses for the PSSF.

The market-related value of assets for the PSSF was \$563,232,830 as at March 31, 2014 (2013 - \$517,301,834) compared to a real market value of \$572,747,186 (2013 - \$544,516,882).

For the MMLPF, there is no difference between the market value of plan assets and the market-related value. As at March 31, 2014, the value was \$12,456,938 (2013 - \$12,119,242). The actual return on plan assets during the year was 7.44% (2013 - 9.02%) for the PSSF and 7.03% (2013 - 7.19%) for the MMLPF.

As at March 31, 2014, \$19,503,788 (2013 - \$27,381,870) was due to the PSSF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)). As at March 31, 2014, \$12,633,281 (2013 - \$12,438,562) was due to the MMLPF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)).

(c) Pension-Related Expenses

Pension-related expenses recognized by the Consolidated Fund comprise the cost of pension benefits earned by employees during the year, interest on the pension benefit liability (net of interest on pension plan assets) and amortization of the Government’s share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the Government’s share of plan amendments related to past service is expensed in the year the plan is amended. The pension-related expense is included in Schedule 10(a) as a component of retirement benefit expenses.

As at March 31, 2014, the cost of living (“COLA”) (Note 16(a)) was removed for both current and future pensioners for both the PSSF and MMLPF in order to improve the sustainability of the respective pension plans. This amendment results in significant decreases of the ABO of the funds. The Government will offset the net unamortized experience losses as at March 31, 2014 of \$173,426,000 (2013 - \$88,024,000) against the decrease of the ABO of \$432,661,000 to eliminate all existing amortization schedules. The remaining balance will be fully recognized in the Statement of Operations and Accumulated Deficit.

Aggregate information about the PSSF and MMLPF is in the following tables.

9. Pensions and Other Retirement Benefits (cont'd)

(d) Funded Status of Plans

| For the year ended March 31 | 2014 Actual | 2013 Actual |
|---------------------------------|----------------|----------------|
| | \$ | \$ |
| Pension Liability | | |
| Accrued Benefit Obligation | | |
| PSSF | 1,359,815,000 | 1,559,247,000 |
| MMLPF | 30,075,000 | 35,281,000 |
| | 1,389,890,000 | 1,594,528,000 |
| Net Fund Assets | | |
| PSSF | (563,233,000) | (517,302,000) |
| MMLPF | (12,457,000) | (12,119,000) |
| | (575,690,000) | (529,421,000) |
| Net Unamortized Experience Loss | | |
| PSSF | - | (88,024,000) |
| Pension Liability | | |
| PSSF | 796,582,000 | 953,921,000 |
| MMLPF | 17,618,000 | 23,162,000 |
| Carried Forward to Note 9 (g) | 814,200,000 | 977,083,000 |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2014

9. Pensions and Other Retirement Benefits (cont'd)

| For the year ended March 31 | 2014 Actual \$ | 2013 Actual \$ |
|---|----------------------|----------------------|
| Pension Expense | | |
| Cost of Pension Benefits | 57,371,000 | 56,299,620 |
| Employee Contributions | (33,549,000) | (33,338,191) |
| Interest on Pension Liability | 70,747,000 | 66,826,298 |
| Prior Period Service Costs | (432,661,000) | - |
| Recognition of Unamortized Net Actuarial Losses | 173,426,000 | - |
| Amortization of Experience Gains & Losses | | |
| 2004 Experience Loss | 21,908,000 | 21,908,087 |
| 2005 Experience Loss | 2,048,000 | 2,048,199 |
| 2006 Experience Loss | 596,000 | 595,574 |
| 2007 Experience Gain | (352,000) | (351,626) |
| 2008 Experience Loss | 5,243,000 | 5,243,035 |
| 2009 Experience Loss | 7,609,000 | 7,608,893 |
| 2010 Experience Gain | (2,548,000) | (2,547,908) |
| 2011 Experience Loss | 443,000 | 442,686 |
| 2012 Experience Loss | 944,000 | 944,481 |
| 2013 Experience Loss | 440,000 | - |
| Pensions and Retirement Benefits Expense excluding Employer Contribution | <u>(128,335,000)</u> | <u>125,679,148</u> |

Value of Obligations Relating to Benefits for the Pension Plans

The value of obligations relating to benefits for the pensions plan at a given date is determined using the actuarial projections prorated on service, taking into account, among other things, the most probable long-term economic assumption made by the Government.

9. Pensions and Other Retirement Benefits (cont'd)

Main economic assumptions used:

| | PSSF (%) | MMLPF (%) |
|-------------------------------|---------------------------|----------------------------|
| Inflation Rate | 3.00 | 3.00 |
| Discount Rate for Obligations | 6.50 | 6.50 |
| Salary Escalation Rate | 4.25 | 3.50 |

Changes in these assumptions may lead to a material increase or decrease in the value of the obligations relating to vested benefits. The following tables, which take the main assumptions into account, show the potential impact of a difference of 1.00% in the value of the obligations for the two pension plans, PSSF and MMLPF. The tables also show the impact of a one-year difference in life expectancy, considering that, according to current assumptions, the life expectancy of beneficiaries aged 60 is 21.8 years for men and 25.6 years for women.

Impact of changes on the main assumptions on the value of obligations relating to PSSF benefits as at March 31, 2014:

| Assumption | Change | Impact on ABO (\$) | Impact on ABO (%) |
|----------------------|-----------------|-------------------------------------|------------------------------------|
| Discount rate | 1.0% increase | (142,336,900) | (10.5) |
| | 1.0% decrease | 175,853,700 | 12.9 |
| Salary increase rate | 1.0% increase | 51,312,900 | 3.8 |
| | 1.0% decrease | (46,115,600) | (3.4) |
| Life expectancy | 1 year increase | 21,381,000 | 1.6 |
| | 1 year decrease | (22,622,400) | (1.7) |

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9. Pensions and Other Retirement Benefits (cont'd)

Impact of changes on the main assumptions on the value of obligations relating to MMLPF benefits as at March 31, 2014:

| Assumption | Change | Impact on ABO (\$) | Impact on ABO (%) |
|----------------------|-----------------|-------------------------------|------------------------------|
| Discount rate | 1.0% increase | (2,843,600) | (9.5) |
| | 1.0% decrease | 3,395,900 | 11.3 |
| Salary increase rate | 1.0% increase | 676,700 | 2.3 |
| | 1.0% decrease | (632,100) | (2.1) |
| Life expectancy | 1 year increase | 795,400 | 2.6 |
| | 1 year decrease | (711,100) | (2.4) |

(e) Contributory Pension Fund

The Contributory Pension Fund (“CPF”) was established under the Contributory Pensions Act 1970 and subsequent amendments.

The purpose of the CPF is to provide old age pension, disability and death benefits for persons satisfying certain contribution, citizenship and residency requirements.

Contributions to the CPF are compulsory for persons employed in Bermuda, the self-employed and employers.

There is no legislative provision for the Fund to provide for any shortfall if, at any time, the CPF has insufficient funds to meet its current legislated obligations.

(f) Retirement Benefits Other than Pensions – Employee Health Insurance Plan

The Government administers a health care plan, the Government Employees Health Insurance Fund (“GEHI”), for substantially all of its employees, QUANGO employees, all ministers and members of the Legislature and retirees. The GEHI Fund provides medical insurance for retirees and eligible dependents with the Government matching the participants’ contribution to the plan.

An actuarial calculation of the Government’s obligations for retirement benefits other than pensions was performed for accounting purposes at March 31, 2014, using various long-term assumptions to produce the estimates included in the financial statements.

9. Pensions and Other Retirement Benefits (cont'd)

The discount rate used in determining the accumulated post-retirement benefit obligation was 6.5% (2013 – 6.5%). The assumed health-care cost trend rate used was 9.0% (2013 - 9.0%). This will be decreasing by 0.5% per annum (from 2014) to 5.0% per annum (to 2022). As at March 31, 2014, the Bermuda Government adopted the Canadian Pensioner Mortality Table for Public Sector (CPM2014Publ) for the mortality assumption. The value accrues a liability in respect of the matching premium paid by Government under the insurance arrangement in respect of retired employees. The calculation is based on the projected benefit method pro-rated on service.

As at March 31, 2014, the change in the local claims subsidy to 70% for persons between the age of 65 and 75 (2013 – 80%) and to 80% for persons age 75 and over (2013 – 90%), the Government's ceasing of the portability claims subsidy and the benefits and coverage previously paid under the Mutual Re-insurance Fund becoming the responsibility of the Island's insurers have resulted in a past service cost in the amount of \$45,143,200. The cost will be fully recognized in the Statement of Operations and Accumulated Deficit.

Aggregate information about the health care plan is in the table below:

| | 2014 | 2013 |
|--|----------------------|--------------------|
| | \$ | \$ |
| Accrued benefit obligation at beginning of year | 269,381,327 | 249,883,817 |
| Current period benefit cost | 10,291,944 | 9,663,797 |
| Interest accrued | 17,621,733 | 16,344,908 |
| Past Service Cost | 45,143,200 | - |
| Benefit payments | <u>(6,847,426)</u> | <u>(6,511,195)</u> |
| Accrued benefit obligation at end of year | <u>335,590,778</u> | <u>269,381,327</u> |
| Expected accrued benefit obligation at end of year | 335,590,778 | 269,381,327 |
| Actual accrued benefit obligation at end of year | <u>512,755,500</u> | <u>269,381,327</u> |
| Experience loss | <u>(177,164,722)</u> | <u>-</u> |

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9. Pensions and Other Retirement Benefits (cont'd)

| | 2014 | 2013 |
|---|-------------|-------------|
| Expected average remaining service life | 11 years | 12 years |
| Annual amortization | \$2,371,108 | \$2,371,108 |

Liability for retirement benefits recorded in the statement of financial position

| | 2014 | 2013 |
|---|----------------------|--------------------|
| | \$ | \$ |
| Accrued benefit obligation, end of year | 512,755,500 | 269,381,327 |
| Unamortized experience losses | <u>(181,839,955)</u> | <u>(7,046,341)</u> |
| Liability for retirement benefits (Note 9(g)) | <u>330,915,545</u> | <u>262,334,986</u> |

Expenses recorded in statement of operations and accumulated deficit

| | 2014 | 2013 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Current period benefit cost | 10,291,944 | 9,663,797 |
| Amortization of experience losses | <u>2,371,108</u> | <u>2,371,108</u> |
| Retirement benefit expense | 12,663,052 | 12,034,905 |
| Retirement benefit interest expense | 17,621,733 | 16,344,908 |
| Past Service Cost | <u>45,143,200</u> | <u>-</u> |
| Total expenses related to retirement benefits | <u>75,427,985</u> | <u>28,379,813</u> |

(g) Accrued Pensions and Retirement Benefits Liability and Expense Summary

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Pensions (Note 9(d)) | 814,200,000 | 977,083,000 |
| Retirement Benefits other than Pensions – Health Insurance Plan (Note 9(f)) | <u>330,915,545</u> | <u>262,334,986</u> |
| Total Pensions and Retirement Benefits Liability | <u>1,145,115,545</u> | <u>1,239,417,986</u> |

9. Pensions and Other Retirement Benefits (cont'd)

| | | | 2014 \$ Total | 2013 \$ Total |
|---|---------------|-------------------|---------------------|---------------------|
| | Pension Plans | Other Benefits | | |
| Plan Amendments (gain) loss | (432,661,000) | 45,143,200 | (387,517,800) | - |
| Recognition of Unamortized Net Actuarial Losses | 173,426,000 | - | 173,426,000 | - |
| Gain on Benefit Plans Amendments | (259,235,000) | 45,143,200 | (214,091,800) | - |
| Current Period Benefit Cost | 57,371,000 | 11,481,956 | 68,852,956 | 67,105,997 |
| Amortization of Experience losses | 36,331,000 | 2,225,423 | 38,556,423 | 38,116,423 |
| Employee Contributions | (33,549,000) | - | (33,549,000) | (33,338,000) |
| Interest on Accrued Benefits | 70,747,000 | 19,132,514 | 89,879,514 | 84,614,210 |
| Employer Contributions | (34,550,000) | (8,657,432) | (43,207,432) | (42,187,254) |
| Pensions and Retirement Benefits Expense | 96,350,000 | 24,182,461 | 120,532,461 | 114,311,376 |

10. Contingent Liabilities

(a) Guarantees

(i) National Education Guarantee Scheme

In August 1994, the Government introduced the National Education Guarantee Scheme to provide qualifying students with financial guarantees on bank loans for post-secondary education. The repayment of principal and accrued interest is guaranteed by the Government. In the event of default by the student, the banks will call on the guarantee contract. At March 31, 2014, \$26,129 (2013 - \$68,851) is outstanding on guaranteed student loans with local banks.

(ii) West End Development Corporation (“WEDCO”) Guarantee

On April 1, 2009, the Minister of Finance consented to the borrowing of \$10 million by WEDCO from Clarien Bank (formerly Capital G Bank) to facilitate the completion of the new Sewage Treatment Plant at Dockyard.

The Minister of Finance further approved the guarantee given by the Ministry of Public Works to repay the indebtedness by way of annual payments to WEDCO until all indebtedness to Clarien Bank has been fully discharged.

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10. Contingent Liabilities (cont'd)

The Ministry of Public Works further guarantees and will make good any default on the part of WEDCO in the payment of the loan to Clarien Bank and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to Clarien Bank has been fully discharged. At March 31, 2014, \$4,285,716 (2013 - \$5,714,287) is outstanding on WEDCO's indebtedness to Clarien Bank (Schedule 5).

(iii) Bank of N.T. Butterfield Guarantee Agreement

On June 12, 2009, the Government assisted The Bank of N.T. Butterfield & Son Limited ("BNTB") in raising qualifying Tier 1 capital via a perpetual preference share offering of US\$200 million.

Accordingly the Government provided the commitment that if the full \$200 million Preference Share Offering was not achieved on or prior to June 30, 2009, the Government would purchase no later than June 30, 2009 such number of Preference Shares as was sufficient to ensure that the Bank realized aggregate proceeds equal to and not less than US\$200 million. As the offering was fully subscribed, no such Government purchase was necessary.

On June 22, 2009, the Government entered into a Preference Shares Guarantee Agreement with the BNTB and others. The Government has guaranteed payment of 100% of the liquidation value of the outstanding Preferred Shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of BNTB during the term of the Guarantee. Also, the Government will act as a guarantor for the dividend payments relating to the Preferred Shares issuance. Should the BNTB fail to declare and pay dividends in any quarterly dividend period during the term of the Guarantee, the Government will pay such dividends at 8% per annum. As at March 31, 2014, Preference Shares with a liquidation value of \$183.6 million remained outstanding.

Pursuant to the Preference Share Offering, the BNTB pays to the Government a fee of 1% per annum on the liquidation value of then outstanding Preference Shares issued to third party investors. The Government was in receipt of 4,279,601 warrants issued by the Bank to purchase a number of non-voting common shares of BNTB having an aggregate market price equal to US\$30 million. The initial exercise price for the warrants and the price for determining the number of common shares of BNTB subject to the warrants was \$7.01 per common share. The quantity of warrants is now 4,299,010 with an exercise price of \$3.489. Per the valuation model run for March 31, 2014, the value of the warrants is \$0.083 (2013 - \$0.025) per warrant which represents a total value of \$356,817 (2013 - \$106,938).

(iv) Bermuda Hospitals Board ("BHB") Guarantee

On December 1, 2010, the Minister of Finance provided an irrevocable Guarantee Agreement to Paget Health Services Limited on behalf of the BHB to facilitate the completion of the New Hospital Project of the King Edward VII Memorial Hospital in Paget.

10. Contingent Liabilities (cont'd)

The design and construction related costs of the new facility are approximately \$247 million. The Annual Service Payments will commence from the Service Commencement date for a period of thirty years, consisting of principal, interest, construction, lifecycle and hard facilities maintenance. A portion of the annual service payment is indexed over the thirty year period to allow for changes in the cost of living and other related facility costs. The first year's Annual Service Payment is \$22.3 million.

The Guarantee Agreement guarantees the payment obligations of the BHB to Paget Health Services Limited by the Government as required by the lenders.

(v) Bermuda Economic Development Corporation (“BEDC”) Guarantee

The Government provides funding to BEDC to facilitate the function of the QUANGO as a guarantor on business loans for locally owned businesses in Bermuda. The Government provides funding to fulfill the payment obligations of BEDC for defaulted loans. There is no signed guarantee agreement between the Government and BEDC.

No liability has been admitted and no provision for loans in default is included in the financial statements of the Government. The total of specific amounts deemed contingent liabilities of the Government, as determined by BEDC, as at March 31, 2014 is \$2,369,830 (2013 - \$3,120,941).

(vi) Morgan’s Point Letter of Comfort

On August 12, 2013 the Government provided a letter of comfort to the Morgan’s Point hotel developers, Morgan Points Limited (“MPL”) to confirm the Government’s willingness to consider credit enhancement for the project. This letter was required so that MPL could begin discussions with potential lenders for the project’s financing. The value of the possible credit enhancement provided by the Letter of Comfort was an amount up to, and not to exceed, US\$125 million, with the precise amount to be determined by the Government in its sole discretion.

(b) Claims and Potential Claims

The Government is subject to claims and potential claims related to breach of contract, damages to persons and property and like items. The effect of legal claims cannot be determined until they are settled or dismissed. No liability has been admitted and no provision for claims is included in the financial statements. Any resulting losses will be recorded and charged to operations in the year an amount can reasonably be determined.

The total of specific amounts claimed or potential settlements which are under litigation or possible litigation as at March 31, 2014 is \$21,049,879 (2013 - \$10,633,686).

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10. Contingent Liabilities (cont'd)

(c) Base Lands Clean Up

The Government recognizes that there will be a cost for restoration of the land at the bases formerly occupied by the US military. It is anticipated that such costs would include removal of hazardous materials and clean-up.

A liability of \$44,078,555 (2013 - \$38,656,865) has been accrued, which is an estimate of the remaining costs of the clean-up and remediation at the three former major base land sites. The estimated range is \$41.5 million to \$57 million.

The cost for Southside (estimated at \$10.5 million, with a range of \$10.5 million to \$20 million; \$6.5 million for work already performed has been deducted from the lower end of the estimated range) involves demolition of buildings beyond refurbishment and removal of asbestos.

The cost for clean-up of Tudor Hill (estimated at \$1 million with a range of \$1 million to \$2 million) is for removal of asbestos and demolition of buildings on the site.

Clean-up of Morgan's Point is estimated at \$32.5 million (with a range of \$30 million to \$35 million) to remove environmental hazards and fuel storage tanks, removal and remediation of asbestos, as well as demolition of derelict buildings. This accrual was increased by \$5.4 million from 2013. This additional provision is recorded as an expense of the current period, and is included in Other on Schedule 10(a).

The prior year's estimate was originally developed in 2003, based on orders of cost which were developed from unit rates used for clean-up at Southside and budget estimates from consultants hired by potential developers at the Morgan's Point site. The Government had a registered professional engineer conduct an independent review of the estimates in 2012 and 2014.

The Government signed the Morgan's Point Exchange Agreement with Southlands Limited and Morgan's Point Limited. The agreement exchanged 12.454 hectares of land owned by Southlands Ltd., located in Warwick, for 66.82 acres of freehold land at Morgan's Point in Southampton. Furthermore, the agreement provides Morgan's Point Limited, as the Developer, the ability to develop an additional 128.46 acres of Leasehold property at Morgan's Point, as further detailed in the Morgan's Point Land Development Agreement, also signed and dated April 8, 2011, amongst the same parties.

Article 6 of the Morgan's Point Land Development Agreement, states the Bermuda Government is still responsible for the remediation of the Morgan's Point property to international standards deemed reasonably acceptable to the Developer. These standards are met in the request for proposal issued in 2009.

10. Contingent Liabilities (cont'd)

(d) Hotels Concession Act 2000 and the Memorandum of Understanding between the Minister of Finance and the Bermuda Hotel Association

On February 21, 2009, the Government entered into a Memorandum of Understanding (“MoU”) with the Bermuda Hotel Association to provide exemptions for applicable hotels from the payment of payroll tax. The assessment of the exemption was to be done quarterly and, if applicable, would allow for the full exemption of the quarterly payroll tax. On August 20, 2010, the Government entered into a Memorandum of Understanding (“MoU”) with the Restaurant Division of the Bermuda Chamber of Commerce to provide exemptions for applicable restaurants from the payment of payroll tax. On October 1, 2011, the Government provided further payroll tax relief to the Retail Sector similar to the relief provided to the hotel and restaurant sectors. These MoU’s were extended to March 31, 2015.

The Hotels Concession Act 2000 allows for the full or partial exemption from or deferral of payroll tax, land tax and hotel occupancy tax for hotels which undergo development deemed to be in the national economic interest of Bermuda as if it is determinable that the development is likely, among other considerations:

- to benefit the tourism industry and the economy;
- to create employment and entrepreneurial opportunities for Bermudians;
- to encourage local development, or;
- to employ and train Bermudians.

The concessions are granted at the discretion of the Minister of Tourism with the written agreement of the Minister of Finance for those hotels that apply for the concessions. The Hotels Concession Act 2000 permits an exemption from, either in part or in full, or deferral of the payroll tax, land tax and hotel occupancy tax for a period not exceeding five years from the hotel’s opening date.

The concessions afforded to the hotels are non-refundable and in instances where the payroll tax is deemed null and void due to the MoU, the concessions remain as a contra-revenue amount to be applied against any future payroll tax incurred by those hotels.

The Government is obligated to recognize the effect of the concessions when payroll tax is actually incurred unless they are dismissed by the Minister of Finance. No liability has been admitted and no provision for collectibility is included in the financial statements. Any resulting losses of payroll tax will be recorded and charged to operations in the year the payroll tax is effective.

The total of the hotel concessions as at March 31, 2014 is \$3,246,029 (2013 - \$3,263,190) which may be applied against any future payroll tax incurred by the applicable hotels.

In addition to this amount, \$23,812,384 is available for use but has not yet been granted by the Ministry of Tourism Development and Transport as per the terms and conditions of the individual orders.

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10. Contingent Liabilities (cont'd)

(e) Air Service Agreements

As at March 31, 2014 the Government has signed agreements with three commercial airlines whereby in consideration of providing regular scheduled air service to Bermuda, the Government commits to pay the airlines a calculated sum if there is a financial shortfall on the routes. The agreements vary in detail, but guarantee the airlines either a certain level of revenue or a specific level of profit on a particular route. Shortfalls occur when ticket revenues are insufficient to cover the cost of operating the routes, either due to insufficient passenger numbers (“Passenger Load Factor”) or discounted tickets to attract passengers (“Yield”).

The estimated liability for Air Service Agreements as at March 31, 2014 is \$2,726,636 (2013 - \$1,350,138). In accordance with the agreements, Government established and delivered to two commercial airlines irrevocable Letters of Credit (“LOC”) issued by HSBC Bank of Bermuda Ltd. (“HSBC”), for a combined total of US\$2,000,000.

(f) Ferry Lease

As at March 31, 2014 the Government had a lease agreement for a ferry to provide additional lift during the tourist season. The lease commenced April 1, 2013 and concluded on October 31, 2014. In accordance with the lease, Government established an irrevocable LOC, issued by HSBC. As at March 31, 2014, the LOC securing the lease had a balance of US\$1,250,000.

11. Non-Contractual Operational Obligations

The Government has ongoing commitments to fund a variety of programs for public welfare including health, education, social services, protection of persons and properties and management of natural resources. The following is an analysis of the future non-contractual operational obligations:

11. Non-Contractual Operational Obligations (cont'd)

| | 2014 |
|--------------------------------------|-------------------------|
| | \$ |
| 2015 | 2,996,707 |
| 2016 | 2,246,975 |
| 2017 | 2,183,837 |
| 2018 | 300,000 |
| 2019 | 300,000 |
| 2020 and subsequent | <u>630,000</u> |
| Total Future Operational Obligations | <u><u>8,657,519</u></u> |

12. Contractual Obligations

(a) Capital Leases

The average period of capitalized leased office machines is 3 years. Leases are capitalized based on the discounted rate of 6.04% and amortized on a straight-line basis over the period of the lease.

The following is an analysis of the leases:

| | 2014 | 2013 |
|---------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Present value of lease cost | 4,879,102 | 4,906,219 |
| Less: Accumulated amortization | <u>(4,108,677)</u> | <u>(4,137,364)</u> |
| Present value of leases payable | <u><u>770,425</u></u> | <u><u>768,855</u></u> |

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12. Contractual Obligations (cont'd)

The following is a schedule of discounted future minimum lease payments under leases expiring up to March 31, 2018:

| | 2014 |
|-----------------------------------|-----------------------|
| | \$ |
| 2015 | 264,880 |
| 2016 | 125,649 |
| 2017 | 29,762 |
| 2018 | - |
| Add: Discounted Amount | <u>350,134</u> |
| Present value of lease obligation | <u><u>770,425</u></u> |

(b) Contractual Obligation

The nature of government activity results in some large multi-year contracts and agreements of various sizes and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts and agreements for the acquisition of goods and services or the provision of transfer payments are met.

The following is an analysis of estimated future expenditures related to these contractual obligations:

| | 2014 |
|-------------------------------|--------------------------|
| | \$ |
| 2015 | 11,824,267 |
| 2016 | 6,719,289 |
| 2017 | 3,187,338 |
| 2018 | 2,835,607 |
| 2019 | 3,347,360 |
| 2020 and subsequent | <u>4,301,000</u> |
| Total Contractual Obligations | <u><u>32,214,861</u></u> |

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12. Contractual Obligations (cont'd)

(c) Operating Leases

The Government rents premises under operating leases which expire at certain dates.

The following is an analysis of the future minimum operating lease payments:

| | 2014 |
|---|-----------------------|
| | \$ |
| 2015 | 9,315,490 |
| 2016 | 6,879,731 |
| 2017 | 5,198,795 |
| 2018 | 4,452,148 |
| 2019 | 3,227,088 |
| 2020 and subsequent | <u>17,071,296</u> |
| Total Future Minimum Operating Lease Payments | <u>46,144,548</u> |

13. Supplementary Estimates and Virements (Transfers)

Section 96(3) of the Bermuda Constitution Order 1968 allows for Supplementary Estimates in respect of any fiscal year if it is found that (a) the amount appropriated by the appropriation law for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by that law; or (b) moneys have been expended for any purpose in excess of the amount appropriated for that purpose by the appropriation law or for a purpose to which no amount has been appropriated by that law, a supplementary estimate, showing the sum required or spent, shall be laid before the House of Assembly. Section 96(4) of the Bermuda Constitution Order 1968 requires that a Supplementary Appropriation Bill be introduced into the Legislature as soon as practical after year end of the year that supplementary estimates have been necessary.

The Public Treasury (Administration and Payments) Amendment Act 2004 allows a Permanent Secretary or a Head of Department to transfer a part of a Department's approved budget to another Department within the same Ministry, subject to the consent of the Minister of Finance. Virements do not increase the overall appropriation amount but facilitate the redeployment of approved budget resources after the start of a financial year.

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13. Supplementary Estimates and Virements (Transfers) **(cont'd)**

During the year \$52,266,000 (2013 - \$63,500,510) in Supplementary Estimates were approved and spent which consisted of \$50,138,000 (2013 - \$38,484,751) for current expenditure and \$2,128,000 (2013 - \$25,015,759) for capital expenditure.

During the year \$25,251,904 (2013 - \$26,867,688) in virements were approved and transferred which consisted of \$4,320,845 (2013 - \$3,166,882) for current expenditure and \$20,931,059 (2013 - \$23,700,506) for capital expenditure.

Additional expenditures of \$962,168 (2013 - \$10,325,410) were incurred in excess of amounts appropriated by the Ministry and will require final approval, which consisted of \$962,168 (2013 - \$10,289,080) for current expenditure and \$0 (2013 - \$36,330) for capital expenditure.

Additional virements of \$6,777,378 (2013 - \$12,038,218) require final approval and transfer, which consisted of \$4,088,716 (2013 - \$9,898,934) for current expenditure and \$2,688,662 (2013 - \$2,139,284) for capital expenditure.

14. Related Party Transactions

(a) Funds

The Fund is related to the GEHI Fund, the CPF, the MMLPF, the Bermuda Department of Tourism North America Retirement Plan, the PSSF, the Confiscated Assets Fund, the GBSF, the Health Insurance Fund, the Mutual Re-insurance Fund, the FutureCare Fund and the Government Reserves Fund.

The financial activities of these funds are reported separately in each fund's financial statements. The Fund provides accounting and certain administrative services to these funds. These transactions are in the normal course of operations and are measured at the appropriate exchange amount. The other activities represent the net position of contributions payable to the funds and expenses paid out of the Fund on behalf of the funds. Schedules 3 and 3(a) display details of unpaid balances due from and due to the funds which have arisen from normal operating activities. The rate of interest accruing on the balances is 7% per annum.

(b) QUANGOs and Other Related Organizations

The Fund is related to certain quasi-autonomous non-governmental organizations ("QUANGOs") and other government controlled organizations. QUANGOs are government businesses which have been established under their respective legislative incorporation acts. Other government-related organizations are organizations that are controlled by government either by the possession of shares or voting rights or by some other means.

14. Related Party Transactions (cont'd)

The Fund enters into transactions with the QUANGOs and other related organizations in the normal course of business which are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Schedules 3 and 3(a) include details of balances due from and due to these entities which have arisen from normal operating activities. During the year, no interest was charged and/or incurred from or to the Fund and the various QUANGOs and other related organizations.

(i) Bermuda Monetary Authority (“BMA”)

In accordance with Section 8 (3) of the Bermuda Monetary Authority Act 1969, the BMA pays a portion of its net profit (historically 50%) to the Consolidated Fund of the Government.

The BMA did not report a net profit for the year ended December 31, 2013, thus no transfer was required to be made to the Consolidated Fund.

(ii) Bermuda Land Development Company Limited (“BLDC”)

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Finance.

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Public Works.

(iii) Bermuda Housing Corporation (“BHC”)

On July 12, 2011, the Government provided a letter of comfort to the Bank of NT Butterfield (“BNTB”) on behalf of the BHC, which states, “To the extent that the BHC operates programmes which do not break even, the Government appropriates annual grants which enable the BHC to comply with its legislation.”

(iv) WEDCO Guarantee

On April 24, 2012, the Minister of Finance consented to the borrowing of \$36 million by WEDCO from BNTB to facilitate the completion of the Infrastructure and Housing Project in Dockyard. The amount borrowed was subsequently reduced to \$25 million.

The Ministry of Finance further guarantees and will make good any default on the part of WEDCO in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to BNTB has been fully discharged.

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Notes to the Financial Statements
March 31, 2014

14. Related Party Transactions (cont'd)

(v) BHC Guarantee

On October 30, 2012, the Minister of Finance granted approval to the borrowing of \$36 million by the BHC from BNTB to finance the purchase of the units of phase three of the Grand Atlantic Housing Development ("Grand Atlantic") and to repay the loans advanced by the bank for Grand Atlantic phases one and two. This loan facility is for a two year duration.

The Ministry of Finance further guaranteed to make good any default on the part of the BHC in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by the BHC until all indebtedness to BNTB has been fully discharged.

(vi) Regulatory Authority ("RA")

On January 28, 2013 the Regulatory Authority Act 2011 ("RAA") came into operation. Section 111 of the RAA committed the Government to make an initial payment of \$2 million as paid-up capital, which was to be used for purposes prescribed under the RAA. In 2013 the Government paid the RA \$1 million towards the paid-up capital. The \$1 million was paid with the intent that the RA would have funding until collecting sufficient revenues to cover operating expenses as per section 111 (b)(ii) of the RAA. The RA achieved operational independence within the Financial Year and it was deemed not necessary to provide further funding. The Government has fulfilled its financial obligations towards the establishment of the RA in accordance with the intent of the Act.

In accordance with Section 41 (1)(a) of the RAA, the RA will pay 50% of its net surplus to the Consolidated Fund. The RA reported a net surplus for the year ended March 31, 2014. Government's 50% portion of the net surplus for the year ended March 31, 2014 is \$315,000.

(c) Interdepartmental Transactions

Interdepartmental transactions are those transactions in which revenues and expenses are generated between Government departments and/or Ministries. These revenues and the related expenses should be eliminated from the Fund's figures. As per Note 3(d), interdepartmental revenues and expenses are not eliminated. However, all interdepartmental revenues and expenses have been identified and are shown in Schedules 9(a) and 10(c), respectively.

15. Bank Overdraft

As at March 31, 2014 the Government had no overdraft facilities in place.

16. Subsequent Events

(a) Pension Amendments

On June 27, 2014, the House of Assembly approved the Pensions (Increase) Amendment Suspension Act 2014 which allows the Minister of Finance to suspend the Cost of Living Adjustment (“COLA”) from the actuarial valuation of the future pension plan benefit obligations. Accordingly the COLA provision was removed for the actuarial valuation of the pension obligation as at March 31, 2014.

(b) Letter of Comfort and Guarantee

Subsequent to March 31, 2014, Government increased the Letter of Comfort with Southlands Limited and Morgan’s Point Limited (“MPL”), to support Phase 1 of the Morgan’s Point project, from US\$125,000,000 to US\$160,000,000.

On November 28, 2014, the Minister of Finance provided an irrevocable Guarantee Agreement to Arch Reinsurance Limited on behalf of Morgan’s Point Limited. The guarantee was issued to provide credit support for a \$5,000,000 loan made by Arch to MPL for the purpose of meeting reasonable expenses incurred by MPL in connection with the first phase of the Morgan’s Point Project, including expenses relating to architecture, design, construction engineering and professional advice and services. The Government guarantees the full and prompt payment of the principal and interest on the Loan.

(c) Hotel Concessions

In June 2014, the Minister of Tourism Development and Transport tabled a Hotel Concession Order in the House of Assembly. This order was approved, which resulted in one Hotel Concession Order for 2014. The total value of concessions to be applied in the future against land, payroll and hotel occupancy tax under this order is \$11,222,500.

17. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

Government of Bermuda – Consolidated Fund

Schedule 1: Accounts Receivable

As at March 31

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | Actual | Actual |
| | \$ | \$ |
| Office of the Tax Commissioner | 190,464,658 | 177,698,720 |
| Registrar of Companies | 7,654,265 | 6,097,838 |
| Works & Engineering | 6,871,580 | 5,450,870 |
| Fire Services | 4,423,467 | 3,698,207 |
| Customs | 4,267,786 | 6,509,640 |
| Airport Operations | 3,879,134 | 5,881,753 |
| Accountant General | 3,188,719 | 2,314,883 |
| Judicial Department | 3,166,659 | 2,936,843 |
| Post Office | 1,978,321 | 2,351,367 |
| Department of Education | 1,578,478 | 1,596,859 |
| Civil Aviation | 1,557,866 | 1,207,040 |
| Department of Health | 1,159,606 | 1,063,169 |
| Ministry of Public Works HQ | 908,758 | 951,352 |
| Maritime Administration | 666,546 | 493,546 |
| Telecommunications | 634,024 | 3,174,597 |
| Public Transportation | 494,432 | 715,503 |
| Public Lands & Buildings | 448,176 | 1,805,967 |
| Conservation Services | 167,607 | 349,734 |
| Marine & Ports Services | 164,449 | 181,269 |
| Human Resources | 134,252 | 138,656 |
| Defence | 129,795 | 182,070 |
| Police | 106,695 | 174,983 |
| Registry General | 67,171 | 56,562 |
| Environmental Protection | 65,435 | 130,097 |
| Financial Assistance | 47,844 | 46,644 |
| Office of the Auditor General | 31,900 | 68,400 |
| Ministry of Health & Seniors HQ | 31,708 | 31,708 |
| Ministry of Environment & Planning HQ | 10,500 | 4,500 |
| Tourism | 9,589 | 8,996 |
| Planning | 8,964 | 26,774 |
| Parks | 6,166 | 6,166 |
| Libraries | 6,004 | 4,067 |
| Child & Family Services | 4,765 | 4,265 |
| Information Technology Office | 2,301 | 2,301 |
| Attorney General's Chambers | 877 | 877 |
| Ministry of Legal Affairs HQ | 728 | - |
| Transport Control Department | 208 | 413 |
| Parliamentary Registrar | 50 | 50 |
| Energy | - | 984 |
| National Drug Control | - | 250 |
| Ministry of Tourism Dev. & Transport HQ | - | 89 |
| Corrections | (209) | - |
| | 234,339,274 | 225,368,009 |
| Less: Provision for Doubtful Accounts | 97,714,049 | 87,393,310 |
| | 136,625,225 | 137,974,699 |

**Government of Bermuda – Consolidated Fund
Schedule 2: Inventories for Consumption
As at March 31**

| | 2014 | 2013 |
|----------------------------------|-------------------|------------|
| | Actual | Actual |
| | \$ | \$ |
| Ministry of Public Works HQ | 4,981,817 | 3,159,063 |
| Public Transportation | 4,139,214 | 4,126,323 |
| Works & Engineering | 2,931,238 | 2,456,891 |
| Marine & Ports Services | 2,764,585 | 2,601,341 |
| Police | 1,307,039 | 1,408,364 |
| Department of Education | 701,153 | 757,931 |
| Department of Immigration | 409,248 | 210,310 |
| Department of Corrections | 360,224 | 360,244 |
| Health | 263,745 | 329,840 |
| Defence | 176,232 | 688,493 |
| Conservation Services | 111,278 | 131,901 |
| Public Lands & Buildings | 28,749 | 186,708 |
| Post Office | 18,031 | 23,762 |
| | 18,192,553 | 16,441,171 |
| Less: Provision for Obsolescence | 1,713,552 | 1,713,222 |
| | 16,479,001 | 14,727,949 |

Government of Bermuda – Consolidated Fund Schedule 3: Due From Gov't Funds and Agencies As at March 31

| | 2014 | 2013 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Health Insurance Funds | 20,415,167 | 14,712,972 |
| Bermuda Hospitals Board | 3,092,646 | 3,281,370 |
| Regulatory Authority | 2,704,863 | - |
| Golf Courses | 1,077,879 | 893,493 |
| Bermuda College | 952,667 | 770,370 |
| Bermuda Monetary Authority | 877,594 | 1,057,284 |
| Bermuda Land Development Company | 773,515 | 730,480 |
| Confiscated Assets Fund | 589,066 | 767,120 |
| Bermuda Housing Corporation | 460,209 | 454,286 |
| West End Development Corporation | 374,609 | 326,791 |
| Unemployment Insurance Fund | 182,949 | 2,283 |
| CedarBridge Academy | 179,917 | 355,681 |
| Government Reserves Fund | 168,490 | 18,490 |
| Pembroke Parish Council | 99,852 | 100,592 |
| Bermuda Economic Development Corporation | 46,814 | 28,271 |
| Financial Intelligence Agency | 40,522 | 28,923 |
| Pension Commission | 35,459 | 20,152 |
| Bermuda Health Council | 28,207 | 29,312 |
| Parish Councils | 24,042 | 23,398 |
| Bermuda Housing Trust | 22,668 | 868 |
| Berkeley Institute | 17,281 | 17,281 |
| National Sports Centre | 7,332 | 345 |
| Whitney Institute | 5,233 | 5,319 |
| Sandys Secondary Middle School | 4,011 | 4,248 |
| St. George's Preparatory School | 1,691 | 1,694 |
| | 32,182,683 | 23,631,023 |
| Less: Provision for Doubtful Accounts | 8,969,970 | 8,969,970 |
| | 23,212,713 | 14,661,053 |

Government of Bermuda - Consolidated Fund Schedule 3(a): Due to Gov't Funds and Agencies

| As at March 31 | 2014 | 2013 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Public Service Superannuation Fund | 19,503,788 | 27,381,870 |
| Ministers and Members Pensions Fund | 12,633,281 | 12,438,562 |
| Bermuda Hospitals Board | 11,482,952 | 10,000,000 |
| Contributory Pension Fund | 1,891,620 | 555,249 |
| Department of Tourism North American Retirement Plan | 197,175 | 211,175 |
| West End Development Corporation | 6,981 | 157,568 |
| Bermuda Land Development Company | 5,142 | 5,142 |
| Bermuda Economic Development Corporation | 3,800 | 3,800 |
| Golf Courses | 1,943 | 1,943 |
| Bermuda College | 1,672 | 1,672 |
| Bermuda Housing Corporation | 400 | 45,400 |
| Parish Council | - | 5,760 |
| | 45,728,754 | 50,808,141 |

Government of Bermuda – Consolidated Fund
Schedule 4: Long-Term Receivables
As at March 31

| | 2014 | 2013 |
|---|------------------|------------------|
| | Actual | Actual |
| | \$ | \$ |
| Student Loans and Teacher Training Awards | 798,893 | 1,183,200 |
| Customs Duty | 392,247 | 374,647 |
| | 1,191,140 | 1,557,847 |

Government of Bermuda - Consolidated Fund
Schedule 5: Accounts Payable and Accrued Liabilities

| As at March 31 | 2014 | 2013 |
|---|--------------------|--------------------|
| | Actual | Actual |
| | \$ | \$ |
| Base Lands Clean Up | 44,078,555 | 38,656,865 |
| Department Trade Accounts | 31,642,236 | 49,811,633 |
| Interest on Debt | 27,927,929 | 21,810,526 |
| Deposits Held | 19,135,976 | 18,588,178 |
| Employees' Leave Entitlements | 17,943,246 | 17,429,708 |
| Teachers' Salaries & Leave Entitlements | 9,797,343 | 10,103,323 |
| Guarantee Payable to WEDCO (Note 10(a)) | 4,285,716 | 5,714,287 |
| Salaries, Wages and Benefits | 2,963,982 | 577,149 |
| Leases Payable | 420,838 | 550,127 |
| | 158,195,821 | 163,241,796 |

Government of Bermuda – Consolidated Fund
Schedule 6: Deferred Revenue
As at March 31

| | 2014 | 2013 |
|--------------------------------|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Transport Control Department | 17,716,627 | 16,293,317 |
| Civil Aviation | 12,103,870 | 12,481,915 |
| Department of Immigration | 5,397,244 | - |
| Post Office | 309,379 | 326,898 |
| Environmental Protection | 225,577 | 133,345 |
| Public Lands & Buildings | 90,816 | 90,816 |
| Health Department | 82,794 | 52,841 |
| Parks | 65,352 | 29,865 |
| Tourism | 29,839 | 33,146 |
| Youth, Sport & Recreation | 28,051 | 14,068 |
| Office of the Tax Commissioner | 5,000 | - |
| Economy, Trade & Industry HQ | - | 5,524,237 |
| Police | - | 256,851 |
| | 36,054,549 | 35,237,299 |

Government of Bermuda – Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund
As at March 31

| | 2014 | 2013 |
|---|-------------|-------------|
| | Actual | Actual |
| | \$ | \$ |
| Senior Notes Due 2024 - US\$ | | |
| Issue Date: February 6, 2014 | | |
| Interest: 4.854% payable semi-annually February 6 and August 6 | | |
| Notes Due: February 6, 2024 | 750,000,000 | - |
| Senior Notes Due 2023 - BMD\$ | | |
| Issue Date: December 16, 2013 | | |
| Interest: 4.75% payable semi-annually June 16 and December 16 | | |
| Notes Due: December 16, 2023 | 50,000,000 | - |
| Senior Notes Due 2023 - US\$ | | |
| Issue Date: July 3, 2012 | | |
| Interest: 4.138% payable semi-annually January 3 and July 3 | | |
| Notes Due: January 3, 2023 | 475,000,000 | 475,000,000 |
| Senior Notes Due 2020 - US\$ | | |
| Issue Date: July 13, 2010 | | |
| Interest: 5.60% payable semi-annually January 20 and July 20 | | |
| Notes Due: July 20, 2020 | 500,000,000 | 500,000,000 |
| Senior Notes Due 2019 - US\$ | | |
| Issue Date: November 10, 2009 | | |
| Interest: 5.93% payable semi-annually November 10 and May 10 | | |
| Notes Due: November 10, 2019 | 80,000,000 | 80,000,000 |
| Senior Notes Due 2016- US\$ | | |
| Issue Date: November 10, 2009 | | |
| Interest: 5.27% payable semi-annually November 10 and May 10 | | |
| Notes Due: November 10, 2016 | 60,000,000 | 60,000,000 |
| Senior Notes Due 2019 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 7.38% payable semi-annually May 21 and November 21 | | |
| Notes Due: May 21, 2019 | 100,000,000 | 100,000,000 |

Government of Bermuda – Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund
As at March 31

Senior Notes Due 2016 - US\$

Issue Date: May 21, 2009

Interest: 6.98% payable semi-annually

May 21 and November 21

Notes Due: May 21, 2016 **30,000,000** 30,000,000

Senior Notes Due 2014 - US\$

Issue Date: May 21, 2009

Interest: 6.55% payable semi-annually

May 21 and November 21

Notes Due: May 21, 2014 **45,000,000** 45,000,000

Senior Notes Due 2022 - US\$

Issue Date: December 4, 2007

Interest: 5.73% payable semi-annually

June 4 and December 4

Notes Due: December 4, 2022 **140,000,000** 140,000,000

Senior Notes Due 2014 - US\$

Issue Date: June 10, 2004

Interest: 5.39% payable semi-annually

June 10 and December 10

Notes Due: June 10, 2014 **75,000,000** 75,000,000

2,305,000,000 1,505,000,000

Less: Sinking Fund (Note 5) **536,557,729** 97,141,966

1,768,442,271 1,407,858,034

Government of Bermuda – Consolidated Fund
Schedule 8: Revenue By Type
For the year ended March 31

| | 2014 Original Estimates | 2014 Actual | 2013 Actual |
|---------------------------------------|-------------------------------|--------------------|----------------|
| | \$ | \$ | \$ |
| Taxes & Duties | Appendix 4 | | |
| Payroll Tax | 320,000,000 | 330,848,121 | 328,023,069 |
| Customs Duty | 175,000,000 | 174,951,259 | 169,693,292 |
| Land Tax | 59,000,000 | 60,476,977 | 55,844,840 |
| Passenger Tax | 35,670,000 | 33,921,396 | 34,577,919 |
| | 589,670,000 | 600,197,753 | 588,139,120 |
| Other Taxes & Duties | | | |
| Stamp Duty | 19,962,000 | 21,379,248 | 18,754,461 |
| Foreign Currency Purchase Tax | 24,000,000 | 20,823,253 | 22,071,642 |
| Hotel Occupancy Tax | 9,500,000 | 9,195,261 | 10,002,033 |
| Non-Bermudian Land Acquisition Tax | 10,000,000 | 4,937,639 | 5,967,336 |
| Corporate Services Tax | 4,800,000 | 4,686,562 | 3,185,370 |
| Betting Tax | 1,450,000 | 1,540,106 | 1,543,828 |
| Timesharing Tax | 92,000 | 189,293 | 169,418 |
| | 69,804,000 | 62,751,362 | 61,694,088 |
| Total Taxes & Duties | 659,474,000 | 662,949,115 | 649,833,208 |
| Fees, Permits & Licences | | | |
| International Companies | 56,728,000 | 62,473,501 | 62,163,373 |
| Vehicle Licences & Registration | 28,216,000 | 26,664,805 | 26,031,165 |
| Registration of Aircraft | 23,512,000 | 26,569,005 | 23,925,970 |
| Immigration | 10,000,000 | 11,887,007 | 7,985,278 |
| Air Terminal & Aviation | 10,286,000 | 10,589,960 | 10,682,301 |
| Telecommunications | 10,000,000 | 10,031,429 | 13,647,281 |
| Wharfage | 8,421,000 | 8,679,779 | 8,335,162 |
| Bus Transportation | 8,700,000 | 7,244,714 | 7,703,962 |
| Registration of Shipping | 4,151,000 | 5,139,326 | 4,177,276 |
| Postal Services | 4,774,000 | 4,552,756 | 5,321,611 |
| Solid Waste Services | 3,520,000 | 4,097,763 | 4,094,230 |
| Water | 5,100,000 | 3,555,830 | 4,705,192 |
| Local Companies | 2,620,000 | 2,808,526 | 2,808,988 |
| Services to Seaborne Shipping | 3,069,000 | 2,612,825 | 2,768,441 |
| Rentals | 2,115,000 | 2,111,306 | 2,384,204 |
| Other Customs Fees & Charges | 2,264,000 | 2,073,025 | 2,149,659 |
| Ferry Services | 1,822,000 | 1,921,159 | 1,777,478 |
| Trade and Service Mark | 1,640,000 | 1,751,791 | 1,584,346 |
| Planning Fees and Searches | 875,000 | 868,546 | 714,183 |
| Companies Licences | 613,000 | 703,946 | 774,362 |
| Liquor Licences | 50,000 | 371,058 | 277,725 |
| Plant Production and Marketing Centre | 295,000 | 330,431 | 37,761 |
| Insurance Fees | - | 55 | 15,050 |
| | 188,771,000 | 197,038,543 | 194,064,998 |
| Other Revenue | | | |
| Other | 16,884,000 | 17,770,289 | 17,773,246 |
| Fines & Forfeitures | 3,570,000 | 2,711,329 | 2,075,064 |
| | 20,454,000 | 20,481,618 | 19,848,310 |
| Investment Income | 2,500,000 | 3,445,828 | 2,831,042 |
| | 22,954,000 | 23,927,446 | 22,679,352 |
| TOTAL REVENUE | 871,199,000 | 883,915,104 | 866,577,558 |

Government of Bermuda – Consolidated Fund
Schedule 9: Revenue By Ministry/Department
For the year ended March 31

| | 2014 Original Estimates | 2014 Actual | 2013 Actual |
|--|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 05 Office of the Auditor General | 911,000 | 682,508 | (61,657) |
| 63 Parliamentary Registrar | 285,000 | 332,551 | 360,383 |
| 02 Legislature | - | 2,850 | 1,823 |
| 01 Governor & Staff | - | 1,206 | 7,357 |
| 92 Internal Audit | - | 602 | 1,521 |
| | 1,196,000 | 1,019,717 | 309,427 |
| Cabinet Office Departments | | | |
| 26 Department of Human Resources | - | 685 | 351 |
| 14 Department of Statistics | - | 81 | 1,641 |
| 09 Cabinet Office | - | - | 120 |
| | - | 766 | 2,112 |
| Ministry of Tourism Development & Transport | | | |
| 34 Transport Control Department | 28,217,000 | 26,783,419 | 26,145,815 |
| 31 Airport Operations | 10,336,000 | 10,707,671 | 12,708,563 |
| 35 Public Transportation | 8,700,000 | 7,282,058 | 7,709,462 |
| 30 Marine & Ports Services | 6,169,000 | 5,565,563 | 6,044,951 |
| 48 Ministry of Tourism Dev. & Transport HQ | - | 38,194 | 39,503 |
| 33 Tourism | 33,000 | 35,851 | 34,538 |
| | 53,455,000 | 50,412,756 | 52,682,832 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 7,134,000 | 5,135,906 | 5,095,051 |
| 04 Attorney General's Chambers | - | 968 | 652 |
| 87 Ministry of Legal Affairs HQ | - | 728 | 88,924 |
| 75 Department of Public Prosecutions | - | - | 81,646 |
| | 7,134,000 | 5,137,602 | 5,266,273 |
| Ministry of Finance | | | |
| 38 Office of the Tax Commissioner | 471,974,000 | 481,393,449 | 471,612,650 |
| 12 Customs | 186,427,000 | 186,336,894 | 180,776,615 |
| 13 Post Office | 4,716,000 | 4,485,974 | 5,239,207 |
| 11 Accountant General | 2,500,000 | 4,640,073 | 1,300,475 |
| 10 Ministry of Finance HQ | 2,500,000 | 2,134,685 | 2,308,701 |
| 28 Department of Social Insurance | - | 1,968 | 2,225 |
| 43 Information Technology Office | - | - | 563 |
| | 668,117,000 | 678,993,043 | 661,240,436 |
| Ministry of Education | | | |
| 17 Department of Education | 230,000 | 188,117 | 193,718 |
| 18 Libraries | 17,000 | 22,605 | 20,250 |
| 19 Department of Archives | 4,000 | 1,495 | 1,520 |
| | 251,000 | 212,217 | 215,488 |
| Ministry of Health & Seniors | | | |
| 22 Health Department | 2,941,000 | 3,216,808 | 3,144,716 |
| 21 Ministry of Health & Seniors HQ | 20,000 | 23,247 | 3,537 |
| 91 Health Insurance | - | 3,600 | 7,914 |
| | 2,961,000 | 3,243,655 | 3,156,167 |

Government of Bermuda – Consolidated Fund
Schedule 9: Revenue By Ministry/Department
For the year ended March 31

| | 2014 Original Estimates | 2014 Actual | 2013 Actual |
|---|-------------------------------|--------------------|--------------------|
| | \$ | \$ | \$ |
| Ministry of Environment & Planning | | | |
| 32 Department of Planning | 1,004,000 | 1,067,286 | 936,387 |
| 72 Environmental Protection | 851,000 | 918,700 | 825,930 |
| 69 Conservation Services | 510,000 | 465,183 | 1,160,316 |
| 68 Parks | 254,000 | 201,569 | 234,112 |
| 50 Ministry of Environment & Planning HQ | 18,000 | 9,315 | 8,446 |
| 97 Land, Surveys & Registration | 1,144,000 | 360 | 1,277 |
| 49 Land Valuation | - | 45 | 30 |
| | 3,781,000 | 2,662,458 | 3,166,498 |
| Ministry of Community & Cultural Development | | | |
| 20 Youth, Sport & Recreation | 711,000 | 749,483 | 923,680 |
| 52 Community and Cultural Affairs | 248,000 | 146,741 | 145,854 |
| 23 Child & Family Services | 77,000 | 101,506 | 78,231 |
| 42 Rent Commissioner | 1,000 | 72 | 36 |
| 56 Human Affairs | - | - | (15) |
| | 1,037,000 | 997,802 | 1,147,786 |
| Ministry of Public Safety | | | |
| 45 Fire Services | 712,000 | 705,989 | 717,696 |
| 07 Police | 556,000 | 541,001 | 569,910 |
| 88 National Drug Control | 12,000 | 17,395 | 22,092 |
| 06 Defence | - | 11,190 | 11,149 |
| 83 Ministry of Public Safety HQ | - | 6,906 | 11,290 |
| | 1,280,000 | 1,282,481 | 1,332,137 |
| Ministry of Home Affairs | | | |
| 27 Department of Immigration | 20,000,000 | 16,824,646 | 6,734,752 |
| 29 Registry General | 1,852,000 | 2,005,919 | 725,520 |
| 60 Labour & Training | 60,000 | 696 | 935 |
| 93 Ministry of Home Affairs HQ | - | - | (964) |
| | 21,912,000 | 18,831,261 | 7,460,243 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 10,135,000 | 10,692,174 | 11,285,228 |
| 81 Public Lands & Buildings | 1,700,000 | 1,833,682 | 2,055,370 |
| 36 Min. of Public Works HQ | 112,000 | (31,917) | 526,621 |
| | 11,947,000 | 12,493,939 | 13,867,219 |
| Ministry of Economy, Trade & Industry | | | |
| 94 Ministry of Economy, Trade & Industry HQ | - | - | 7,228,040 |
| | - | - | 7,228,040 |
| Ministry of Economic Development | | | |
| 39 Registrar of Companies | 60,416,000 | 66,546,616 | 66,557,740 |
| 57 Civil Aviation | 23,562,000 | 26,626,888 | 24,072,465 |
| 46 Telecommunications | 10,000,000 | 10,303,960 | 13,519,708 |
| 73 Maritime Administration | 4,150,000 | 5,149,790 | 4,345,287 |
| 95 Ministry of Economic Development HQ | - | 153 | 1,007,700 |
| | 98,128,000 | 108,627,407 | 109,502,900 |
| TOTAL REVENUE | 871,199,000 | 883,915,104 | 866,577,558 |

Government of Bermuda – Consolidated Fund
Schedule 9(a): Interdepartmental Revenue by Ministry/Department
For the year ended March 31

| | 2014 Interdepartmental Revenue | 2014 Gross Revenue Actual | 2014 Net Revenue |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 05 Office of the Auditor General | - | 682,508 | 682,508 |
| 63 Parliamentary Registrar | 500 | 332,551 | 332,051 |
| 02 Legislature | - | 2,850 | 2,850 |
| 01 Governor & Staff | - | 1,206 | 1,206 |
| 92 Internal Audit | - | 602 | 602 |
| | 500 | 1,019,717 | 1,019,217 |
| Cabinet Office Departments | | | |
| 26 Department of Human Resources | - | 685 | 685 |
| 14 Department of Statistics | - | 81 | 81 |
| | - | 766 | 766 |
| Ministry of Tourism Development & Transport | | | |
| 34 Transport Control Department | 120 | 26,783,419 | 26,783,299 |
| 31 Airport Operations | 115,005 | 10,707,671 | 10,592,666 |
| 35 Public Transportation | 480,945 | 7,282,058 | 6,801,113 |
| 30 Marine & Ports Services | 5,744 | 5,565,563 | 5,559,819 |
| 48 Ministry of Tourism Dev. & Transport HQ | - | 38,194 | 38,194 |
| 33 Tourism | - | 35,851 | 35,851 |
| | 601,814 | 50,412,756 | 49,810,942 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 35,371 | 5,135,906 | 5,100,535 |
| 04 Attorney General's Chambers | 4,689 | 968 | (3,721) |
| 87 Ministry of Legal Affairs HQ | - | 728 | 728 |
| | 40,060 | 5,137,602 | 5,097,542 |
| Ministry of Finance | | | |
| 38 Office of the Tax Commissioner | 18,699 | 481,393,449 | 481,374,750 |
| 12 Customs | 1,703,354 | 186,336,894 | 184,633,540 |
| 13 Post Office | 13,079 | 4,485,974 | 4,472,895 |
| 11 Accountant General | 32,146 | 4,640,073 | 4,607,927 |
| 10 Ministry of Finance HQ | - | 2,134,685 | 2,134,685 |
| 28 Department of Social Insurance | - | 1,968 | 1,968 |
| | 1,767,278 | 678,993,043 | 677,225,765 |
| Ministry of Education | | | |
| 17 Department of Education | 23,911 | 188,117 | 164,206 |
| 18 Libraries | - | 22,605 | 22,605 |
| 19 Department of Archives | - | 1,495 | 1,495 |
| | 23,911 | 212,217 | 188,306 |
| Ministry of Health & Seniors | | | |
| 22 Health Department | 205,689 | 3,216,808 | 3,011,119 |
| 21 Ministry of Health & Seniors HQ | - | 23,247 | 23,247 |
| 91 Health Insurance | - | 3,600 | 3,600 |
| | 205,689 | 3,243,655 | 3,037,966 |

Government of Bermuda – Consolidated Fund
Schedule 9(a): Interdepartmental Revenue by Ministry/Department
For the year ended March 31

| | 2014 Interdepartmental Revenue | 2014 Gross Revenue Actual | 2014 Net Revenue |
|---|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Ministry of Environment & Planning | | | |
| 32 Department of Planning | 15,496 | 1,067,286 | 1,051,790 |
| 72 Environmental Protection | 4,350 | 918,700 | 914,350 |
| 69 Conservation Services | - | 465,183 | 465,183 |
| 68 Parks | 225 | 201,569 | 201,344 |
| 50 Ministry of Environment & Planning HQ | - | 9,315 | 9,315 |
| 97 Land, Surveys & Registration | - | 360 | 360 |
| 49 Land Valuation | - | 45 | 45 |
| | 20,071 | 2,662,458 | 2,642,387 |
| Ministry of Community & Cultural Development | | | |
| 20 Youth, Sport & Recreation | 190 | 749,483 | 749,293 |
| 52 Community and Cultural Affairs | 6,224 | 146,741 | 140,517 |
| 23 Child & Family Services | - | 101,506 | 101,506 |
| 42 Rent Commissioner | - | 72 | 72 |
| | 6,414 | 997,802 | 991,388 |
| Ministry of Public Safety | | | |
| 45 Fire Services | - | 705,989 | 705,989 |
| 07 Police | 25,921 | 541,001 | 515,080 |
| 88 National Drug Control | - | 17,395 | 17,395 |
| 06 Defence | - | 11,190 | 11,190 |
| 83 Ministry of Public Safety HQ | - | 6,906 | 6,906 |
| | 25,921 | 1,282,481 | 1,256,560 |
| Ministry of Home Affairs | | | |
| 27 Department of Immigration | 19,178 | 16,824,646 | 16,805,468 |
| 29 Registry General | 2,727 | 2,005,919 | 2,003,192 |
| 60 Labour & Training | - | 696 | 696 |
| | 21,905 | 18,831,261 | 18,809,356 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 188,744 | 10,692,174 | 10,503,430 |
| 81 Public Lands & Buildings | 116,282 | 1,833,682 | 1,717,400 |
| 36 Min. of Public Works HQ | 1,229 | (31,917) | (33,146) |
| | 306,255 | 12,493,939 | 12,187,684 |
| Ministry of Economic Development | | | |
| 39 Registrar of Companies | - | 66,546,616 | 66,546,616 |
| 57 Civil Aviation | 18,475 | 26,626,888 | 26,608,413 |
| 46 Telecommunications | 1,980 | 10,303,960 | 10,301,980 |
| 73 Maritime Administration | - | 5,149,790 | 5,149,790 |
| 95 Ministry of Economic Development HQ | - | 153 | 153 |
| | 20,455 | 108,627,407 | 108,606,952 |
| TOTAL REVENUE | 3,040,273 | 883,915,104 | 880,874,831 |

Government of Bermuda – Consolidated Fund

Schedule 10: Expenses By Program

For the year ended March 31

| | 2014 Capital Development | 2014 Capital Acquisition | 2014 Current Expenses | 2014 Total Actual | 2013 Total Actual |
|---|--------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Economic Development | | | | | |
| 11 Accountant General | - | 168,585 | 80,661,680 | 80,830,265 | 86,716,460 |
| 82 Works & Engineering | 3,258,964 | - | 51,630,779 | 54,889,743 | 53,874,287 |
| 81 Public Lands & Buildings | 1,970,613 | - | 40,379,859 | 42,350,472 | 44,406,895 |
| 33 Tourism | - | 3,049 | 31,387,946 | 31,390,995 | 30,457,306 |
| 31 Airport Operations | 251,740 | 65,796 | 25,288,089 | 25,605,625 | 30,181,650 |
| 30 Marine & Ports Services | - | 197,143 | 24,426,856 | 24,623,999 | 24,301,140 |
| 35 Public Transportation | - | 598,956 | 23,714,179 | 24,313,135 | 25,658,459 |
| 12 Customs | 992 | 149,454 | 20,772,202 | 20,922,648 | 7,783,169 |
| 36 Ministry of Public Works HQ | 138,383 | 111,680 | 15,624,303 | 15,874,366 | 11,968,157 |
| 13 Post Office | - | 17,465 | 12,823,180 | 12,840,645 | 13,690,309 |
| 43 Information Technology Office | - | 1,059,911 | 8,232,394 | 9,292,305 | 10,748,311 |
| 57 Civil Aviation | - | 21,236 | 7,851,018 | 7,872,254 | 9,282,847 |
| 95 Ministry of Economic Development HQ | - | 724 | 7,047,555 | 7,048,279 | 4,730,505 |
| 93 Ministry of Home Affairs HQ | 360,000 | - | 6,306,730 | 6,666,730 | 614,344 |
| 34 Transport Control Department | - | - | 6,444,787 | 6,444,787 | 6,157,968 |
| 10 Ministry of Finance HQ | - | 30,000 | 4,956,317 | 4,986,317 | 5,093,165 |
| 39 Registrar of Companies | - | 2,033 | 4,218,546 | 4,220,579 | 4,784,929 |
| 38 Office of the Tax Commissioner | - | 104,684 | 3,844,942 | 3,949,626 | 11,721,468 |
| 05 Office of the Auditor General | - | 4,280 | 3,895,980 | 3,900,260 | 3,867,232 |
| 32 Department of Planning | - | - | 3,336,703 | 3,336,703 | 3,561,602 |
| 73 Maritime Administration | - | 450 | 2,304,199 | 2,304,649 | 1,786,044 |
| 29 Registry General | - | - | 1,686,449 | 1,686,449 | 1,276,615 |
| 97 Land, Surveys & Registration | - | (20,739) | 1,281,501 | 1,260,762 | 1,478,540 |
| 48 Ministry of Tourism Dev. & Transport HQ | 56,062 | - | 958,194 | 1,014,256 | 740,967 |
| 84 E-Government | - | 40,216 | 964,783 | 1,004,999 | 1,049,697 |
| 49 Land Valuation | - | 3,725 | 979,491 | 983,216 | 1,043,644 |
| 89 Energy | - | - | 730,402 | 730,402 | 565,303 |
| 46 Telecommunications | - | - | 650,495 | 650,495 | 3,587,031 |
| 67 E-Commerce | - | - | 583,418 | 583,418 | 626,342 |
| 80 Project Management & Procurement | (129,595) | - | 649,303 | 519,708 | 1,332,688 |
| 96 Sustainable Development | - | - | 479,990 | 479,990 | 495,061 |
| 90 Energy, Telecommunications and E-Commerce HQ | - | - | - | - | 1,802 |
| 94 Ministry of Economy, Trade & Industry HQ | - | - | - | - | 4,152,884 |
| | 5,907,159 | 2,558,648 | 394,112,270 | 402,578,077 | 407,736,821 |
| Health | | | | | |
| 24 Hospitals | 620,000 | - | 152,825,516 | 153,445,516 | 149,672,674 |
| 22 Health Department | 18,713 | 67,976 | 27,369,614 | 27,456,303 | 30,788,431 |
| 21 Ministry of Health & Seniors HQ | - | - | 13,348,181 | 13,348,181 | 11,569,056 |
| 91 Health Insurance | - | - | 10,381,093 | 10,381,093 | 12,041,310 |
| 28 Department of Social Insurance | - | - | 7,144,051 | 7,144,051 | 6,109,235 |
| | 638,713 | 67,976 | 211,068,455 | 211,775,144 | 210,180,706 |
| National Security | | | | | |
| 07 Police | 741,200 | 41,433 | 67,583,568 | 68,366,201 | 71,003,336 |
| 25 Corrections | 56,350 | 49,890 | 25,454,803 | 25,561,043 | 29,104,163 |
| 45 Fire Services | (1,371) | (54,974) | 14,468,585 | 14,412,240 | 15,543,662 |
| 03 Judicial Department | - | - | 8,281,649 | 8,281,649 | 8,227,643 |
| 87 Ministry of Legal Affairs HQ | - | - | 8,074,203 | 8,074,203 | 6,652,601 |
| 06 Defence | 73,035 | 6,888 | 7,797,102 | 7,877,025 | 6,726,300 |
| 27 Department of Immigration | - | 3,243 | 4,449,807 | 4,453,050 | 17,447,495 |
| 04 Attorney General's Chambers | - | - | 3,768,457 | 3,768,457 | 3,544,026 |
| 74 Court Services | - | - | 3,561,613 | 3,561,613 | 3,454,719 |
| 75 Department of Public Prosecutions | - | 18,081 | 2,794,518 | 2,812,599 | 2,614,952 |
| 83 Ministry of Public Safety HQ | - | - | 1,097,798 | 1,097,798 | 1,415,579 |
| | 869,214 | 64,561 | 147,332,103 | 148,265,878 | 165,734,476 |
| Education | | | | | |
| 17 Department of Education | 894,721 | 1,265,922 | 113,750,780 | 115,911,423 | 117,699,414 |
| 41 Bermuda College | - | - | 18,119,000 | 18,119,000 | 18,119,000 |
| 60 Labour & Training | - | 890 | 5,358,069 | 5,358,959 | 5,356,824 |
| 16 Ministry of Education HQ | - | - | 2,294,396 | 2,294,396 | 3,068,666 |
| | 894,721 | 1,266,812 | 139,522,245 | 141,683,778 | 144,243,904 |

Government of Bermuda – Consolidated Fund
Schedule 10: Expenses By Program
For the year ended March 31

| | 2014 Capital Development | 2014 Capital Acquisition | 2014 Current Expenses | 2014 Total Actual | 2013 Total Actual |
|--|--------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Interest on Debt | | | | | |
| 58 Interest on Debt | - | - | 109,244,778 | 109,244,778 | 81,577,570 |
| | - | - | 109,244,778 | 109,244,778 | 81,577,570 |
| Social Services & Assistance | | | | | |
| 55 Financial Assistance | - | 4,271 | 48,454,709 | 48,458,980 | 43,158,612 |
| 23 Child & Family Services | - | 480 | 15,676,567 | 15,677,047 | 17,715,160 |
| 53 Bermuda Housing Corporation | - | - | 8,000,000 | 8,000,000 | 6,500,000 |
| 88 National Drug Control | - | 166,431 | 4,869,590 | 5,036,021 | 4,345,982 |
| 52 Community & Cultural Affairs | - | - | 3,143,440 | 3,143,440 | 3,557,799 |
| 71 Ministry of Community & Cultural Dev. HQ | - | 2,881 | 2,230,824 | 2,233,705 | 2,285,091 |
| 42 Rent Commissioner | - | - | 529,051 | 529,051 | 524,077 |
| | - | 174,063 | 82,904,181 | 83,078,244 | 78,086,721 |
| Other General Government Services | | | | | |
| 20 Youth, Sport & Recreation | 2,048,232 | - | 11,217,114 | 13,265,346 | 18,702,182 |
| 68 Parks | 365,186 | (2,161) | 10,794,737 | 11,157,762 | 11,511,073 |
| 09 Cabinet Office | - | 864 | 6,807,429 | 6,808,293 | 7,156,931 |
| 02 Legislature | 13,535 | - | 5,134,536 | 5,148,071 | 5,224,993 |
| 69 Conservation Services | 262,512 | 2,178 | 4,715,613 | 4,980,303 | 5,722,450 |
| 26 Department of Human Resources | - | 213,951 | 3,815,644 | 4,029,595 | 4,054,040 |
| 72 Environmental Protection | 36,881 | (4,741) | 3,711,032 | 3,743,172 | 3,425,146 |
| 14 Department of Statistics | - | 21,882 | 2,694,798 | 2,716,680 | 2,665,962 |
| 51 Department of Communication & Information | - | (7,637) | 2,455,406 | 2,447,769 | 2,376,878 |
| 18 Libraries | - | 11,037 | 2,236,267 | 2,247,304 | 2,333,124 |
| 56 Human Affairs | - | - | 2,142,951 | 2,142,951 | 2,145,512 |
| 01 Governor & Staff | - | - | 1,455,585 | 1,455,585 | 1,606,581 |
| 92 Internal Audit | - | - | 1,356,755 | 1,356,755 | 1,479,042 |
| 19 Department of Archives | - | 22,149 | 1,169,462 | 1,191,611 | 1,304,638 |
| 63 Parliamentary Registrar | - | - | 837,166 | 837,166 | 1,522,207 |
| 85 Ombudsman's Office | - | 665 | 785,268 | 785,933 | 755,967 |
| 50 Ministry of Environment & Planning HQ | 8,775 | 590 | 542,546 | 551,911 | 710,183 |
| | 2,735,121 | 258,777 | 61,872,309 | 64,866,207 | 72,696,909 |
| Pensions and Other Employee Future Benefits | | | | | |
| Gain on Benefits Plans Amendments | - | - | (214,091,800) | (214,091,800) | - |
| Pensions and Retirement Benefits Expense | - | - | 120,532,461 | 120,532,461 | 114,311,376 |
| | - | - | (93,559,339) | (93,559,339) | 114,311,376 |
| TOTAL EXPENSES | 11,044,928 | 4,390,837 | 1,052,497,002 | 1,067,932,767 | 1,274,568,483 |

Government of Bermuda – Consolidated Fund
Schedule 10(a): Current Expenses By Type
For the year ended March 31

| | 2014 Original Estimates | 2014 Actual | 2013 Actual |
|---|-------------------------------|----------------------|----------------|
| | \$ | \$ | \$ |
| Employees | | | |
| Salaries | 333,500,000 | 309,981,244 | 321,173,034 |
| Wages | 70,714,000 | 83,381,635 | 84,133,053 |
| Employer Overhead | 73,879,000 | 31,369,492 | 32,594,636 |
| Other Personnel Costs | 6,734,000 | 5,644,886 | 5,563,527 |
| Training | 6,737,000 | 2,491,282 | 2,306,757 |
| Compensated Absences | - | 743,102 | 1,118,758 |
| Gain on Benefits Plans Amendments (Note 9(g)) | - | (214,091,800) | - |
| Pensions and Retirement Benefits Expense | - | 161,184,785 | 154,058,961 |
| | 491,564,000 | 380,704,626 | 600,948,726 |
| Operations | | | |
| Grants & Contributions | 266,030,000 | 286,962,034 | 277,384,973 |
| Interest on Debt | 97,650,000 | 109,704,201 | 84,292,653 |
| Professional Services | 89,466,000 | 81,469,122 | 95,944,148 |
| Amortization (Note 4(b)(v)) | - | 54,677,285 | 47,044,473 |
| Energy | 20,652,000 | 20,119,926 | 20,573,009 |
| Materials & Supplies | 25,786,000 | 19,797,144 | 23,158,414 |
| Advertising & Promotion | 13,247,000 | 16,967,815 | 18,135,591 |
| Repairs & Maintenance | 19,921,000 | 16,908,319 | 17,613,858 |
| Rentals | 17,244,000 | 16,695,815 | 16,794,324 |
| Other (Note 10(c)) | 4,028,000 | 12,391,793 | 3,603,120 |
| Insurance | 11,710,000 | 11,984,402 | 12,498,541 |
| Communications | 10,297,000 | 8,404,455 | 9,181,459 |
| Transport | 5,205,000 | 4,534,011 | 3,977,255 |
| Bad Debts | - | 4,122,070 | 15,698,647 |
| Travel | 4,683,000 | 3,311,420 | 3,418,547 |
| Clothing & Uniforms | 2,190,000 | 1,858,041 | 1,576,116 |
| Bank Charges & Commissions | - | 1,362,238 | 977,640 |
| Equipment | 855,000 | 522,285 | 890,795 |
| Transfer to Other Funds (Note 4(b)(iii)) | 37,655,000 | - | - |
| | 626,619,000 | 671,792,376 | 652,763,563 |
| TOTAL CURRENT EXPENSES | 1,118,183,000 | 1,052,497,002 | 1,253,712,289 |

Government of Bermuda – Consolidated Fund
Schedule 10(b): Current Expenses By Ministry/Department
For the year ended March 31

| | 2014 Original Estimates | 2014 Actual | 2013 Actual |
|--|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 02 Legislature | 6,079,000 | 5,134,536 | 5,190,783 |
| 05 Office of the Auditor General | 3,846,000 | 3,895,980 | 3,855,599 |
| 01 Governor & Staff | 1,638,000 | 1,455,585 | 1,605,112 |
| 92 Internal Audit | 1,773,000 | 1,356,755 | 1,479,042 |
| 63 Parliamentary Registrar | 1,600,000 | 837,166 | 1,531,282 |
| 85 Ombudsman's Office | 822,000 | 785,268 | 751,882 |
| | 15,758,000 | 13,465,290 | 14,413,700 |
| Cabinet Office Departments | | | |
| 09 Cabinet Office | 7,091,000 | 6,807,429 | 7,153,332 |
| 26 Department of Human Resources | 4,247,000 | 3,815,644 | 3,860,900 |
| 14 Department of Statistics | 2,975,000 | 2,694,798 | 2,656,086 |
| 51 Department of Communication & Information | 2,561,000 | 2,455,406 | 2,400,875 |
| | 16,874,000 | 15,773,277 | 16,071,193 |
| Ministry of Tourism Development & Transport | | | |
| 33 Tourism | 27,273,000 | 31,387,946 | 30,457,365 |
| 31 Airport Operations | 19,777,000 | 25,288,089 | 29,819,172 |
| 30 Marine & Ports Services | 18,536,000 | 24,426,856 | 24,126,943 |
| 35 Public Transportation | 20,945,000 | 23,714,179 | 25,656,719 |
| 34 Transport Control Department | 6,332,000 | 6,444,787 | 6,157,968 |
| 48 Ministry of Tourism Dev. & Transport HQ | 882,000 | 958,194 | 670,212 |
| | 93,745,000 | 112,220,051 | 116,888,379 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 8,360,000 | 8,281,649 | 8,139,938 |
| 87 Ministry of Legal Affairs HQ | 7,360,000 | 8,074,203 | 6,652,601 |
| 04 Attorney General's Chambers | 4,286,000 | 3,768,457 | 3,544,026 |
| 74 Court Services | 4,378,000 | 3,561,613 | 3,440,679 |
| 75 Department of Public Prosecutions | 2,993,000 | 2,794,518 | 2,614,952 |
| | 27,377,000 | 26,480,440 | 24,392,196 |
| Ministry of Finance | | | |
| 58 Interest on Debt | 96,675,000 | 109,244,778 | 81,577,570 |
| 11 Accountant General | 84,636,000 | 80,661,680 | 86,607,339 |
| 12 Customs | 20,000,000 | 20,772,202 | 7,641,326 |
| 13 Post Office | 13,621,000 | 12,823,180 | 13,672,969 |
| 43 Information Technology Office | 7,329,000 | 8,232,394 | 9,285,585 |
| 28 Department of Social Insurance | 6,583,000 | 7,144,051 | 6,109,235 |
| 10 Ministry of Finance HQ | 5,042,000 | 4,956,317 | 5,075,665 |
| 38 Office of the Tax Commissioner | 3,448,000 | 3,844,942 | 11,656,136 |
| 80 Project Management & Procurement | 977,000 | 649,303 | 1,294,595 |
| 59 Sinking Fund Contribution | 37,625,000 | - | - |
| Gain on Benefits Plans Amendments | - | (214,091,800) | - |
| Pensions and Retirement Benefits Expense | - | 120,532,461 | 114,311,376 |
| | 275,936,000 | 154,769,508 | 337,231,796 |
| Ministry of Education | | | |
| 17 Department of Education | 121,000,000 | 113,750,780 | 117,088,177 |
| 41 Bermuda College | 18,119,000 | 18,119,000 | 18,119,000 |
| 16 Ministry of Education HQ | 2,452,000 | 2,294,396 | 3,068,666 |
| 18 Libraries | 2,273,000 | 2,236,267 | 2,326,086 |
| 19 Department of Archives | 1,547,000 | 1,169,462 | 1,303,738 |
| | 145,391,000 | 137,569,905 | 141,905,667 |
| Ministry of Health & Seniors | | | |
| 24 Hospitals | 141,344,000 | 152,825,516 | 149,552,674 |
| 22 Health Department | 27,453,000 | 27,369,614 | 30,512,840 |
| 21 Ministry of Health & Seniors HQ | 15,147,000 | 13,348,181 | 11,569,056 |
| 91 Health Insurance | 11,300,000 | 10,381,093 | 12,041,310 |
| | 195,244,000 | 203,924,404 | 203,675,880 |

Government of Bermuda – Consolidated Fund

Schedule 10(b): Current Expenses By Ministry/Department

For the year ended March 31

| | 2014 Original Estimates | 2014 Actual | 2013 Actual |
|---|-------------------------------|----------------------|----------------|
| | \$ | \$ | \$ |
| Ministry of Environment & Planning | | | |
| 68 Parks | 10,537,000 | 10,794,737 | 11,269,737 |
| 69 Conservation Services | 4,851,000 | 4,715,613 | 5,488,471 |
| 72 Environmental Protection | 4,074,000 | 3,711,032 | 3,417,643 |
| 32 Department of Planning | 3,782,000 | 3,336,703 | 3,561,602 |
| 97 Land, Surveys & Registration | 1,753,000 | 1,281,501 | 1,397,605 |
| 49 Land Valuation | 832,000 | 979,491 | 1,041,750 |
| 50 Ministry of Environment & Planning HQ | 1,118,000 | 542,546 | 699,223 |
| 96 Sustainable Development | 500,000 | 479,990 | 495,061 |
| | 27,447,000 | 25,841,613 | 27,371,092 |
| Ministry of Community & Cultural Development | | | |
| 55 Financial Assistance | 39,476,000 | 48,454,709 | 43,144,312 |
| 23 Child & Family Services | 18,148,000 | 15,676,567 | 17,681,662 |
| 20 Youth, Sport & Recreation | 11,662,000 | 11,217,114 | 11,554,182 |
| 53 Bermuda Housing Corporation | 8,199,000 | 8,000,000 | 6,500,000 |
| 52 Community & Cultural Affairs | 3,729,000 | 3,143,440 | 3,557,799 |
| 71 Ministry of Community & Cultural Dev. HQ | 2,356,000 | 2,230,824 | 2,283,012 |
| 56 Human Affairs | 2,269,000 | 2,142,951 | 2,145,512 |
| 42 Rent Commissioner | 569,000 | 529,051 | 524,077 |
| | 86,408,000 | 91,394,656 | 87,390,556 |
| Ministry of Public Safety | | | |
| 07 Police | 71,000,000 | 67,583,568 | 69,682,641 |
| 25 Corrections | 27,469,000 | 25,454,803 | 28,799,443 |
| 45 Fire Services | 13,809,000 | 14,468,585 | 15,458,645 |
| 06 Defence | 6,959,000 | 7,797,102 | 6,486,558 |
| 88 National Drug Control | 4,120,000 | 4,869,590 | 4,247,236 |
| 83 Ministry of Public Safety HQ | 1,324,000 | 1,097,798 | 1,415,579 |
| | 124,681,000 | 121,271,446 | 126,090,102 |
| Ministry of Home Affairs | | | |
| 93 Ministry of Home Affairs HQ | 7,172,000 | 6,306,730 | 614,344 |
| 60 Labour & Training | 5,741,000 | 5,358,069 | 5,356,322 |
| 27 Department of Immigration | 4,894,000 | 4,449,807 | 17,398,528 |
| 29 Registry General | 2,205,000 | 1,686,449 | 1,276,615 |
| 84 E-Government | 1,059,000 | 964,783 | 1,005,970 |
| | 21,071,000 | 18,765,838 | 25,651,779 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 32,286,000 | 51,630,779 | 52,006,475 |
| 81 Public Lands & Buildings | 22,869,000 | 40,379,859 | 39,959,436 |
| 36 Ministry of Public Works HQ | 6,246,000 | 15,624,303 | 11,380,461 |
| | 61,401,000 | 107,634,941 | 103,346,372 |
| Ministry of Economy, Trade and Industry | | | |
| 94 Ministry of Economy, Trade and Industry HQ | - | - | 4,152,884 |
| 90 Energy, Telecommunications and E-Commerce HQ | - | - | 1,802 |
| | - | - | 4,154,686 |
| Ministry of Economic Development | | | |
| 57 Civil Aviation | 10,500,000 | 7,851,018 | 9,150,933 |
| 95 Ministry of Economic Development HQ | 8,050,000 | 7,047,555 | 4,720,390 |
| 39 Registrar of Companies | 3,329,000 | 4,218,546 | 4,762,357 |
| 73 Maritime Administration | 1,904,000 | 2,304,199 | 1,783,291 |
| 89 Energy | 730,000 | 730,402 | 565,303 |
| 46 Telecommunications | 1,257,000 | 650,495 | 3,520,275 |
| 67 E-Commerce | 1,080,000 | 583,418 | 626,342 |
| | 26,850,000 | 23,385,633 | 25,128,891 |
| TOTAL CURRENT EXPENSES | 1,118,183,000 | 1,052,497,002 | 1,253,712,289 |

Appendix 4

Government of Bermuda – Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department
For the year ended March 31

| | 2014 Interdepartmental Expense | 2014 Actual Gross Expense | 2014 Net Expense |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 02 Legislature | 8,125 | 5,134,536 | 5,126,411 |
| 05 Office of the Auditor General | 3,191 | 3,895,980 | 3,892,789 |
| 01 Governor & Staff | 1,618 | 1,455,585 | 1,453,967 |
| 92 Internal Audit | 85 | 1,356,755 | 1,356,670 |
| 63 Parliamentary Registrar | 1,266 | 837,166 | 835,900 |
| 85 Ombudsman's Office | - | 785,268 | 785,268 |
| | 14,285 | 13,465,290 | 13,451,005 |
| Cabinet Office Departments | | | |
| 09 Cabinet Office | 4,694 | 6,807,429 | 6,802,735 |
| 26 Department of Human Resources | - | 3,815,644 | 3,815,644 |
| 14 Department of Statistics | 776 | 2,694,798 | 2,694,022 |
| 51 Department of Communication & Information | 7,135 | 2,455,406 | 2,448,271 |
| | 12,605 | 15,773,277 | 15,760,672 |
| Ministry of Tourism Development & Transport | | | |
| 33 Tourism | 37,206 | 31,387,946 | 31,350,740 |
| 31 Airport Operations | 2,126 | 25,288,089 | 25,285,963 |
| 30 Marine & Ports Services | 224,284 | 24,426,856 | 24,202,572 |
| 35 Public Transportation | 786,868 | 23,714,179 | 22,927,311 |
| 34 Transport Control Department | 15,809 | 6,444,787 | 6,428,978 |
| 48 Ministry of Tourism Dev. & Transport HQ | 4,701 | 958,194 | 953,493 |
| | 1,070,994 | 112,220,051 | 111,149,057 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 1,777 | 8,281,649 | 8,279,872 |
| 87 Ministry of Legal Affairs HQ | 27,209 | 8,074,203 | 8,046,994 |
| 04 Attorney General's Chambers | 72 | 3,768,457 | 3,768,385 |
| 74 Court Services | 4,935 | 3,561,613 | 3,556,678 |
| 75 Department of Public Prosecutions | 225 | 2,794,518 | 2,794,293 |
| | 34,218 | 26,480,440 | 26,446,222 |
| Ministry of Finance | | | |
| 58 Interest on Debt | - | 109,244,778 | 109,244,778 |
| 11 Accountant General | 497 | 80,661,680 | 80,661,183 |
| 12 Customs | 50,608 | 20,772,202 | 20,721,594 |
| 13 Post Office | 25,344 | 12,823,180 | 12,797,836 |
| 43 Information Technology Office | 4,669 | 8,232,394 | 8,227,725 |
| 28 Department of Social Insurance | 127,930 | 7,144,051 | 7,016,121 |
| 10 Ministry of Finance HQ | 300 | 4,956,317 | 4,956,017 |
| 38 Office of the Tax Commissioner | 16,820 | 3,844,942 | 3,828,122 |
| 80 Project Management & Procurement | 33,198 | 649,303 | 616,105 |
| Gain on Benefits Plans Amendments | - | (214,091,800) | (214,091,800) |
| Pensions and Retirement Benefits Expense | - | 120,532,461 | 120,532,461 |
| | 259,366 | 154,769,508 | 154,510,142 |
| Ministry of Education | | | |
| 17 Department of Education | 115,535 | 113,750,780 | 113,635,245 |
| 41 Bermuda College | - | 18,119,000 | 18,119,000 |
| 16 Ministry of Education HQ | - | 2,294,396 | 2,294,396 |
| 18 Libraries | 626 | 2,236,267 | 2,235,641 |
| 19 Department of Archives | 93 | 1,169,462 | 1,169,369 |
| | 116,254 | 137,569,905 | 137,453,651 |
| Ministry of Health & Seniors | | | |
| 24 Hospitals | - | 152,825,516 | 152,825,516 |
| 22 Health Department | 58,395 | 27,369,614 | 27,311,219 |
| 21 Ministry of Health & Seniors HQ | 83,256 | 13,348,181 | 13,264,925 |
| 91 Health Insurance | - | 10,381,093 | 10,381,093 |
| | 141,651 | 203,924,404 | 203,782,753 |

Government of Bermuda – Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department
For the year ended March 31

| | 2014 Interdepartmental Expense | 2014 Actual Gross Expense | 2014 Net Expense |
|---|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Ministry of Environment & Planning | | | |
| 68 Parks | 22,012 | 10,794,737 | 10,772,725 |
| 69 Conservation Services | 2,755 | 4,715,613 | 4,712,858 |
| 72 Environmental Protection | 2,555 | 3,711,032 | 3,708,477 |
| 32 Department of Planning | - | 3,336,703 | 3,336,703 |
| 97 Land, Surveys & Registration | 145 | 1,281,501 | 1,281,356 |
| 49 Land Valuation | 120 | 979,491 | 979,371 |
| 50 Ministry of Environment & Planning HQ | - | 542,546 | 542,546 |
| 96 Sustainable Development | - | 479,990 | 479,990 |
| | 27,587 | 25,841,613 | 25,814,026 |
| Ministry of Community & Cultural Development | | | |
| 55 Financial Assistance | 104,149 | 48,454,709 | 48,350,560 |
| 23 Child & Family Services | 34,923 | 15,676,567 | 15,641,644 |
| 20 Youth, Sport & Recreation | 241,302 | 11,217,114 | 10,975,812 |
| 53 Bermuda Housing Corporation | - | 8,000,000 | 8,000,000 |
| 52 Community & Cultural Affairs | 8,870 | 3,143,440 | 3,134,570 |
| 71 Ministry of Community & Cultural Dev. HQ | 85 | 2,230,824 | 2,230,739 |
| 56 Human Affairs | 1,380 | 2,142,951 | 2,141,571 |
| 42 Rent Commissioner | - | 529,051 | 529,051 |
| | 390,709 | 91,394,656 | 91,003,947 |
| Ministry of Public Safety | | | |
| 07 Police | 100,499 | 67,583,568 | 67,483,069 |
| 25 Corrections | 89,030 | 25,454,803 | 25,365,773 |
| 45 Fire Services | 39,041 | 14,468,585 | 14,429,544 |
| 06 Defence | 32,904 | 7,797,102 | 7,764,198 |
| 88 National Drug Control | 33,650 | 4,869,590 | 4,835,940 |
| 83 Ministry of Public Safety HQ | 7,973 | 1,097,798 | 1,089,825 |
| | 303,097 | 121,271,446 | 120,968,349 |
| Ministry of Home Affairs | | | |
| 93 Ministry of Home Affairs HQ | 335 | 6,306,730 | 6,306,395 |
| 60 Labour & Training | 2,324 | 5,358,069 | 5,355,745 |
| 27 Department of Immigration | 6,820 | 4,449,807 | 4,442,987 |
| 29 Registry General | 4,669 | 1,686,449 | 1,681,780 |
| 84 E-Government | - | 964,783 | 964,783 |
| | 14,148 | 18,765,838 | 18,751,690 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 208 | 51,630,779 | 51,630,571 |
| 81 Public Lands & Buildings | 16,816 | 40,379,859 | 40,363,043 |
| 36 Min. of Public Works HQ | 587,000 | 15,624,303 | 15,037,303 |
| | 604,024 | 107,634,941 | 107,030,917 |
| Ministry of Economic Development | | | |
| 57 Civil Aviation | 120 | 7,851,018 | 7,850,898 |
| 95 Ministry of Economic Development HQ | 6,308 | 7,047,555 | 7,041,247 |
| 39 Registrar of Companies | 1,505 | 4,218,546 | 4,217,041 |
| 73 Maritime Administration | 24,722 | 2,304,199 | 2,279,477 |
| 89 Energy | - | 730,402 | 730,402 |
| 46 Telecommunications | 18,560 | 650,495 | 631,935 |
| 67 E-Commerce | 120 | 583,418 | 583,298 |
| | 51,335 | 23,385,633 | 23,334,298 |
| TOTAL CURRENT EXPENSES | 3,040,273 | 1,052,497,002 | 1,049,456,729 |

Government of Bermuda - Consolidated Fund
 Schedule 11: Schedules of Tangible Capital Assets and Assets Under Construction
 As at March 31, 2014

| | COST | | | | | ACCUMULATED AMORTIZATION | | | | | 31-Mar-13 Net Book Value |
|--------------------------------------|--------------------------|----------------------|-------------------|----------------------------|----------------------|--------------------------|-------------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| | Estimated Useful Life | Opening Balance | Additions | Disposals & Adjustments | Closing Balance | Opening Balance | Amortization Expense | Disposals & Adjustments | Closing Balance | 31-Mar-14 Net Book Value | |
| Tangible Capital Assets | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Land | Indefinite | 45,636,778 | - | - | 45,636,778 | - | - | - | - | 45,636,778 | 45,636,778 |
| Buildings & Betterments | 40 years | 616,236,335 | 11,346,403 | - | 627,582,738 | (169,810,162) | (18,971,435) | (188,781,597) | (188,781,597) | 438,801,141 | 446,426,173 |
| Infrastructure | 10 - 40 Years | 177,202,613 | 6,972,524 | - | 184,175,137 | (42,908,173) | (10,656,256) | (53,564,429) | (53,564,429) | 130,610,708 | 134,294,440 |
| Vehicles & Heavy Equipment | 5 - 7 Years | 89,965,787 | 4,734,551 | (1,050,390) | 93,649,948 | (76,079,159) | (5,775,925) | 1,031,369 | (80,823,715) | 12,826,233 | 13,886,627 |
| Vessels | 5 - 10 Years | 44,742,567 | 1,398,785 | - | 46,141,352 | (35,846,090) | (2,411,672) | (38,257,762) | (38,257,762) | 7,883,590 | 8,886,477 |
| Computer Software | 10 years | 33,644,054 | 3,104,857 | - | 36,948,911 | (11,038,321) | (4,039,500) | (15,077,821) | (15,077,821) | 21,871,090 | 22,805,733 |
| Office Equipment | 5 years | 18,474,492 | 982,579 | - | 17,467,071 | (11,433,772) | (2,064,921) | (13,498,693) | (13,498,693) | 3,968,378 | 5,040,720 |
| Computer Hardware | 3 - 7 years | 14,812,164 | 4,517,310 | - | 19,329,474 | (10,613,566) | (2,415,355) | (13,028,921) | (13,028,921) | 6,300,553 | 4,198,598 |
| Capital Leases | 3 - 5 years | 4,906,219 | 222,006 | (249,124) | 4,879,101 | (4,137,363) | (192,104) | 220,870 | (4,108,677) | 770,424 | 768,856 |
| Furniture & Fixtures | 7 years | 4,699,461 | 134,558 | - | 4,834,019 | (3,179,450) | (528,656) | (3,708,106) | (3,708,106) | 1,125,913 | 1,520,011 |
| Plant, Machinery & Equipment | 10 - 30 Years | 101,934,117 | 2,118,313 | - | 104,052,430 | (44,068,750) | (7,574,106) | (51,632,856) | (51,632,856) | 52,419,574 | 57,875,367 |
| Total Tangible Capital Assets | | 1,150,454,587 | 35,541,886 | (1,299,514) | 1,184,696,959 | (409,104,806) | (54,630,010) | 1,252,239 | (462,482,577) | 722,214,382 | 741,349,790 |
| Assets Under Construction | | 43,851,920 | 27,260,987 | (18,636,273) | 52,476,614 | - | - | - | - | 52,476,614 | 43,851,920 |
| Loss on Disposal of Vehicles | | - | - | - | - | - | (47,275) | - | - | - | - |

Government of Bermuda – Consolidated Fund

Schedule 12: Current Expenditure - Estimates Compared to Expenditures

For the year ended March 31, 2014

| | Expenses | Expenditure * | Adjusted Estimates ** | Under (Over) Spent |
|--|---------------|---------------|-----------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Non-Ministry Departments | | | | |
| 02 Legislature | 5,134,536 | 5,025,579 | 6,078,795 | 1,053,216 |
| 05 Office of the Auditor General | 3,895,980 | 3,840,791 | 3,846,170 | 5,379 |
| 01 Governor & Staff | 1,455,585 | 1,452,299 | 1,638,380 | 186,081 |
| 92 Internal Audit | 1,356,755 | 1,355,046 | 1,773,174 | 418,128 |
| 63 Parliamentary Registrar | 837,166 | 825,337 | 1,254,835 | 429,498 |
| 85 Ombudsman's Office | 785,268 | 780,681 | 821,761 | 41,080 |
| | 13,465,290 | 13,279,733 | 15,413,115 | 2,133,382 |
| Cabinet Office Departments | | | | |
| 09 Cabinet Office | 6,807,429 | 6,794,388 | 7,090,733 | 296,345 |
| 26 Department of Human Resources | 3,815,644 | 3,785,826 | 4,247,255 | 461,429 |
| 14 Department of Statistics | 2,694,798 | 2,674,198 | 2,975,356 | 301,158 |
| 51 Department of Communication & Information | 2,455,406 | 2,432,453 | 2,560,656 | 128,203 |
| | 15,773,277 | 15,686,865 | 16,874,000 | 1,187,135 |
| Ministry of Tourism Development & Transport | | | | |
| 33 Tourism | 31,387,946 | 29,882,213 | 31,523,497 | 1,641,284 |
| 31 Airport Operations | 25,288,089 | 23,442,811 | 22,244,000 | (1,198,811) |
| 30 Marine & Ports Services | 24,426,856 | 22,265,388 | 22,299,700 | 34,312 |
| 35 Public Transportation | 23,714,179 | 21,689,851 | 22,789,531 | 1,099,680 |
| 34 Transport Control Department | 6,444,787 | 5,838,944 | 6,331,908 | 492,964 |
| 48 Ministry of Tourism Dev. & Transport HQ | 958,194 | 956,106 | 964,364 | 8,258 |
| | 112,220,051 | 104,075,313 | 106,153,000 | 2,077,687 |
| Ministry of Legal Affairs | | | | |
| 03 Judicial Department | 8,281,649 | 7,863,210 | 8,366,976 | 503,766 |
| 87 Ministry of Legal Affairs HQ | 8,074,203 | 8,072,448 | 7,883,285 | (189,163) |
| 04 Attorney General's Chambers | 3,768,457 | 3,658,836 | 4,180,496 | 521,660 |
| 74 Court Services | 3,561,613 | 3,530,288 | 3,935,392 | 405,104 |
| 75 Department of Public Prosecutions | 2,794,518 | 2,790,300 | 2,996,637 | 206,337 |
| | 26,480,440 | 25,915,082 | 27,362,786 | 1,447,704 |
| Ministry of Finance | | | | |
| 58 Interest on Debt | 109,244,778 | 109,244,778 | 109,400,000 | 155,222 |
| 11 Accountant General | 80,661,680 | 79,762,858 | 84,636,421 | 4,873,563 |
| 12 Customs | 20,772,202 | 19,054,975 | 20,000,000 | 945,025 |
| 13 Post Office | 12,823,180 | 12,635,987 | 13,548,737 | 912,750 |
| 43 Information Technology Office | 8,232,394 | 6,970,284 | 7,328,728 | 358,444 |
| 28 Department of Social Insurance | 7,144,051 | 7,110,951 | 6,852,563 | (258,388) |
| 10 Ministry of Finance HQ | 4,956,317 | 4,942,354 | 5,039,653 | 97,299 |
| 38 Office of the Tax Commissioner | 3,844,942 | 3,090,623 | 3,177,770 | 87,147 |
| 80 Project Management & Procurement | 649,303 | 638,706 | 976,531 | 337,825 |
| 59 Sinking Fund Contribution | - | 37,625,000 | 37,625,000 | - |
| Gain on Benefits Plans Amendments | (214,091,800) | - | - | - |
| Retirement Benefit Expenses | 120,532,461 | - | - | - |
| | 154,769,508 | 281,076,516 | 288,585,403 | 7,508,887 |
| Ministry of Education | | | | |
| 17 Department of Education | 113,750,780 | 112,300,060 | 120,975,018 | 8,674,958 |
| 41 Bermuda College | 18,119,000 | 18,119,000 | 18,119,000 | - |
| 16 Ministry of Education HQ | 2,294,396 | 2,294,396 | 2,477,226 | 182,830 |
| 18 Libraries | 2,236,267 | 2,207,359 | 2,273,292 | 65,933 |
| 19 Department of Archives | 1,169,462 | 1,143,839 | 1,547,168 | 403,329 |
| | 137,569,905 | 136,064,654 | 145,391,704 | 9,327,050 |
| Ministry of Health & Seniors | | | | |
| 24 Hospitals | 152,825,516 | 152,825,516 | 152,825,504 | (12) |
| 22 Health Department | 27,369,614 | 25,297,823 | 27,428,357 | 2,130,534 |
| 21 Ministry of Health & Seniors HQ | 13,348,181 | 13,310,929 | 15,422,106 | 2,111,177 |
| 91 Health Insurance | 10,381,093 | 10,381,093 | 11,050,481 | 669,388 |
| | 203,924,404 | 201,815,361 | 206,726,448 | 4,911,087 |

Government of Bermuda – Consolidated Fund

Schedule 12: Current Expenditure - Estimates Compared to Expenditures

For the year ended March 31, 2014

| | Expenses | Expenditure* | Adjusted Estimates ** | Under (Over) Spent |
|---|----------------------|----------------------|--------------------------|-----------------------|
| | \$ | \$ | \$ | \$ |
| Ministry of the Environment & Planning | | | | |
| 68 Parks | 10,794,737 | 10,619,832 | 10,536,611 | (83,221) |
| 69 Conservation Services | 4,715,613 | 4,671,935 | 4,851,011 | 179,076 |
| 72 Environmental Protection | 3,711,032 | 3,626,434 | 4,073,788 | 447,354 |
| 32 Department of Planning | 3,336,703 | 3,324,274 | 3,732,698 | 408,424 |
| 97 Land, Surveys & Registration | 1,281,501 | 1,264,075 | 1,604,637 | 340,562 |
| 49 Land Valuation | 979,491 | 944,232 | 1,055,892 | 111,660 |
| 50 Ministry of Environment & Planning HQ | 542,546 | 541,798 | 1,068,767 | 526,969 |
| 96 Sustainable Development | 479,990 | 479,990 | 523,182 | 43,192 |
| | 25,841,613 | 25,472,570 | 27,446,586 | 1,974,016 |
| Ministry of Community & Cultural Development | | | | |
| 55 Financial Assistance | 48,454,709 | 48,385,807 | 48,522,642 | 136,835 |
| 23 Child & Family Services | 15,676,567 | 15,601,240 | 18,148,366 | 2,547,126 |
| 20 Youth, Sport & Recreation | 11,217,114 | 11,158,931 | 11,661,852 | 502,921 |
| 53 Bermuda Housing Corporation | 8,000,000 | 8,000,000 | 8,000,000 | - |
| 52 Community & Cultural Affairs | 3,143,440 | 3,136,948 | 3,682,938 | 545,990 |
| 71 Ministry of Community & Cultural Dev. HQ | 2,230,824 | 2,218,116 | 2,530,257 | 312,141 |
| 56 Human Affairs | 2,142,951 | 2,080,887 | 2,294,210 | 213,323 |
| 42 Rent Commissioner | 529,051 | 529,051 | 569,134 | 40,083 |
| | 91,394,656 | 91,110,980 | 95,409,399 | 4,298,419 |
| Ministry of Public Safety | | | | |
| 07 Police | 67,583,568 | 66,125,227 | 69,036,001 | 2,910,774 |
| 25 Corrections | 25,454,803 | 25,242,152 | 27,868,990 | 2,626,838 |
| 45 Fire Services | 14,468,585 | 12,750,526 | 13,409,214 | 658,688 |
| 06 Defence | 7,797,102 | 7,711,686 | 7,658,832 | (52,854) |
| 88 National Drug Control | 4,869,590 | 4,532,258 | 4,780,073 | 247,815 |
| 83 Ministry of Public Safety HQ | 1,097,798 | 1,097,248 | 1,613,795 | 516,547 |
| | 121,271,446 | 117,459,097 | 124,366,905 | 6,907,808 |
| Ministry of Home Affairs | | | | |
| 93 Ministry of Home Affairs HQ | 6,306,730 | 6,303,057 | 7,221,371 | 918,314 |
| 60 Labour & Training | 5,358,069 | 5,311,990 | 5,691,704 | 379,714 |
| 27 Department of Immigration | 4,449,807 | 3,450,360 | 4,893,676 | 1,443,316 |
| 29 Registry General | 1,686,449 | 1,638,039 | 2,205,056 | 567,017 |
| 84 E-Government | 964,783 | 958,443 | 1,059,155 | 100,712 |
| | 18,765,838 | 17,661,889 | 21,070,962 | 3,409,073 |
| Ministry of Public Works | | | | |
| 82 Works & Engineering | 51,630,779 | 32,957,542 | 35,263,809 | 2,306,267 |
| 81 Public Lands & Buildings | 40,379,859 | 23,595,430 | 23,518,489 | (76,941) |
| 36 Ministry of Public Works HQ | 15,624,303 | 10,324,834 | 7,133,340 | (3,191,494) |
| | 107,634,941 | 66,877,806 | 65,915,638 | (962,168) |
| Ministry of Economic Development | | | | |
| 57 Civil Aviation | 7,851,018 | 7,809,768 | 10,360,000 | 2,550,232 |
| 95 Ministry of Economic Development HQ | 7,047,555 | 7,044,248 | 7,984,590 | 940,342 |
| 39 Registrar of Companies | 4,218,546 | 2,466,309 | 3,108,750 | 642,441 |
| 73 Maritime Administration | 2,304,199 | 2,236,728 | 2,419,208 | 182,480 |
| 89 Energy | 730,402 | 730,402 | 795,358 | 64,956 |
| 46 Telecommunications | 650,495 | 634,112 | 1,257,228 | 623,116 |
| 67 E-Commerce | 583,418 | 586,023 | 924,866 | 338,843 |
| | 23,385,633 | 21,507,590 | 26,850,000 | 5,342,410 |
| TOTAL CURRENT EXPENDITURE | 1,052,497,002 | 1,118,003,456 | 1,167,565,946 | 49,562,490 |

* Adjusted for Non-Budgeted, Non-Cash Items

** Includes all Approved Supplementary amounts during the year

Government of Bermuda – Consolidated Fund
Schedule 13: Commitments - Legislated
For the year ended March 31

| | 2014 | 2013 |
|--|--------|--------|
| | Actual | Actual |
| | \$ | \$ |

Unspent Capital Appropriations

In accordance with Section 6 of the Appropriations Act 2013, unspent capital appropriations for incomplete capital projects to be carried forward to future years are as follows:

| | | |
|---------------------|------------------|------------|
| Capital Development | 5,511,234 | 32,052,111 |
| Capital Acquisition | 2,000,000 | 6,506,760 |
| | 7,511,234 | 38,558,871 |

Total Authorized Funding

Total Authorized Funding represents the estimated total cost of capital development projects and is subject to the voting of supply by the Legislature. Estimated future expenditure for continuing capital development projects is as follows:

| | | |
|---|----------------------|---------------|
| Total Authorized Funding | 889,850,476 | 921,871,431 |
| Projects Completed during the year | (126,370,000) | (16,471,271) |
| Supplementary Estimate No.1 | 2,128,000 | 25,015,759 |
| Revised Total Authorized Funding | 765,608,476 | 930,415,919 |
| Appropriated Capital Development | (330,782,820) | (514,932,756) |
| Unappropriated Capital Development Commitments | 434,825,656 | 415,483,163 |

Government of Bermuda – Consolidated Fund
Schedule 14: Public Debt - Legislated Limit
As at March 31

| | 2014 | 2013 |
|---------------------------------------|----------------------|---------------|
| | Actual | Actual |
| | \$ | \$ |
| Debt (Schedule 7) | 2,305,000,000 | 1,505,000,000 |
| Overdraft Facility Drawdown (Note 15) | - | 69,000,521 |
| | 2,305,000,000 | 1,574,000,521 |
| Less: | | |
| Sinking Fund (Schedule 7) | 536,557,729 | 97,141,966 |
| Public Debt | 1,768,442,271 | 1,476,858,555 |
| Legislated Limit | 2,500,000,000 | 2,500,000,000 |
| Available Limit | 731,557,729 | 1,023,141,445 |



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters**Ministerial Statement**
To the House of Assembly
By**The Hon. E.T. Richards, JP, MP.**
Minister of Finance**Consolidated Fund Financial Statements 2014****Date: 15 May, 2014**

Mr. Speaker, I am pleased to table audited financial statements relating to the Consolidated Fund for the year-ended March 31, 2014.

As Honourable Members are aware the Consolidated Fund is the general operating fund of the Bermuda Government and is the Fund through which Government conducts the majority of its transactions. The Consolidated Fund financial statements report the financial position, operations, change in net debt and cash flows resulting from the activities of the Government. This includes the accounts of the Senate, the House of Assembly, all Government departments and offices and all courts.

Mr. Speaker, I am pleased to note that the annual accounts of the Consolidated Fund of the Government of Bermuda were given an unqualified audit opinion for the second consecutive year following six years of qualified opinions. Despite the clean audit opinion, the Auditor General has, for the fourth consecutive year, included explanatory paragraphs as ‘other matters’ which she deems appropriate. These “other matters” relate to the following:

- The increased level of the net debt and the need for the Government of Bermuda to take concerted action to address it;
- Ongoing incidents of non-compliance with the Government of Bermuda’s Financial Instructions; and
- The preparation of Summary Financial Statements for the Bermuda Government.

It is important to note that these explanatory paragraphs do not alter the Auditor General’s unqualified opinion, but are highlighted matters. However, the Government shares the Auditor’s concerns in these areas and has already started to tackle these matters. For instance Mr. Speaker, the Ministry of Finance has already moved to a Medium Term Expenditure Framework (MTEF), which is seeking to eliminate the deficit and ultimately reduce the debt.

Mr. Speaker, liabilities related to pension and other employee future benefits are included in the “Net Debt” amount disclosed in the Financial Statements and the Government has already started the review of these benefits to ensure their sustainability.

Mr. Speaker, Honourable Members will recall that in 2014, legislation was amended to suspend the automatic Cost of Living Adjustment (COLA) increases until such time as the sustainability of the Public Service Superannuation Fund and the Ministers and Members of the Legislature Pension Fund have been improved. This amendment resulted in a significant decrease in the actuarial liabilities of the Funds, which has been recognized in the Financial Statements.

Also, the Accountant General's Department ensures that Financial Instructions (FI) are available to, and delivers FI training in conjunction with the Department of Human Resources for, all Public Officers.

Mr. Speaker, with regard to the preparation of Summary Financial Statements for the Bermuda Government, the Ministry agrees there are benefits to issuing consolidated financial statements and Members will recall that legislation was passed in 2014 to create the reporting entity under which summary statements will be prepared.

Whilst legislative changes are required to effect consolidated reporting, they are simply one aspect of a complex approach that would be required to achieve this accounting objective. Accordingly, progress is being made on this important initiative, but it should be emphasised that consideration must be given to resources, accounting systems, management roles and other factors that are critical in the accomplishment of this task.

Mr. Speaker, the sign-off date for the completion of the audit was March 25th 2015. The Ministry's position is that the audited financials should be able to be completed within nine months of the March 31 year-end, and have instructed the Accountant General to work diligently to address the issues causing delays in issuing the annual accounts of the Consolidated Fund.

Some financial highlights of the 2014 Consolidated Fund Financial Statements are as follows:

The total revenue raised by the Consolidated Fund for fiscal 2013/14 was approximately \$883.9 million, representing an increase of \$17.3 million or 2.0% from fiscal 2012/13 total revenue of \$866.6 million. This exceeded original budget estimates by approximately \$12.7 million or 1.5%. The most significant generators of revenues for fiscal 2013/14 were Payroll Taxes, accounting for \$330.9 million or 37.4% of total revenue; compared to \$328.0 million or 37.9% in 2012/13 and Customs Duty, accounting for \$175.0 million or 19.8%; compared to \$169.7 million or 19.6% in 2012/13.

Current expenses for fiscal 2013/14 were \$1.267 billion compared to current expensed of \$1.274 billion in 2012/13. The 2013/14 figure excludes the effect of a net gain on benefit plan amendments of \$214.1 million, which has the effect of reducing total current expenses to \$1.053 billion for 2013/14. The net gain was primarily attributable to the elimination of the pensions' cost of living

adjustment. The three largest components of current expenses were employee costs, grants and contributions and interest on debt. Total employee costs were \$594.8 million or 47.0% of total expenses, marginally less than the 2012/13 level of \$600.9 million or 47.9% of total expenses. Included in this amount is \$120.5 million of non-cash retirement benefit expenses. Grants and contributions were \$287.0 million or 22.7% of total expenses, compared to \$277.4 million or 22.1% in 2012/13). Interest on debt was \$109.7 million or 8.7% of total expenses compared to \$84.3 million or 6.7 in the previous year.

Total current expenditure on a modified cash basis (Schedule 12) was \$1.118 billion (2013 – \$1.029 billion), which was \$180 thousand **less** than original budget estimates of \$1.118 billion. In 2013 total current expenditure on a modified cash basis was \$23.4 million higher than original estimates.

Mr. Speaker total capital account cash expenditure was \$65.3 million, which was \$19.2 million lower than the original budget estimates.

Total capital and current account cash expenditure for 2013/14 was \$1.183 billion, which was \$19.4 million or 1.6% lower than the original budget estimate of \$1.2 billion.

The all-inclusive results from government operations (both current and capital) for the year ending March 31, 2014, was a deficit of \$184.0 million. There are many non - cash expenses included in this figure. If we strip those away, the modified cash all-inclusive results

from government operations (on the same basis that is shown in the Budget Book) was a deficit of \$299.4 million. This compares to a deficit of \$331.6 million that was originally budgeted. Therefore, the actual overall deficit was down by \$32.1 million or 9.7% when compared to the original estimate. The decreased deficit is as a result of higher than budgeted revenues and better management of discretionary current and capital expenditures.

Cash and cash equivalents at the end of fiscal 2013/14 totaled \$21.8 million which was \$9.6 million higher than the balance at the end of 2012/13.

Mr. Speaker, net Public Debt, which excludes guarantees and is net of the Government Borrowing Sinking Fund, increased by \$291.6 million during fiscal 2013/14 and stood at \$1.768 billion at the end of the year representing a 19.7% increase. The escalation was due to a successful \$50 million local issue of senior notes at an interest rate of 4.75% per annum and an international offering of \$750 million in senior notes at an interest rate of 4.854% per annum. The proceeds of the issuances were used to repay outstanding short-term indebtedness with local banks and to fund the 2013/14 budget deficit, with the balance deposited into the Sinking Fund to cover any further budget deficits. The Sinking Fund increased for the year by \$439.4 million and was also used to retire \$120 million of senior notes that matured.

The level of debt mentioned above is not only unsustainable but economically and fiscally imprudent and the Government has already committed to redouble our efforts and determination to eliminate the government deficit as soon as possible, and eventually pay down on our debt.

Mr. Speaker, the statements of the Consolidated Fund provide valuable information on the financial position of the Government and I would encourage the public to examine these statements.

Thank you Mr. Speaker

May 15, 2015



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148

Fax: (441) 295-3849

Email: oag@oagbermuda.bm

Website: www.oagbermuda.gov.bm

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly, the Governor and the Senate

I have audited the accompanying financial statements of the Consolidated Fund of the Government of Bermuda, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated deficit, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, 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 auditing standards generally accepted in Bermuda and Canada. 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 the Consolidated Fund of the Government of Bermuda as at March 31, 2015, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Other matters

As permitted by Section 6 of the Audit Act 1990, I may include in my auditor's report any other comments arising out of the accounts that I consider appropriate.

Increasing Net Debt

Without qualifying my opinion, I wish to draw attention to the level of net debt which increased by \$296 million to \$3.3 billion as of March 31, 2015. Government needs to take concerted action to address this fiscal challenge.

Incidences of non-compliance with the Government of Bermuda's Financial Instructions

Also, without qualifying my opinion, I wish to draw attention to ongoing incidences of non-compliance with the Government of Bermuda's Financial Instructions which form the standard for financial controls for the Government. Although these incidences of non-compliance did not lead me to qualify my audit opinion for the current year, it revealed weaknesses and deficiencies in the control environment. It is important that the Government adheres to its internal control framework.

Usefulness of these Financial Statements is Limited

As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not summary financial statements of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund. As such, the financial statements of the Consolidated Fund for the year ended March 31, 2015 do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.



Hamilton, Bermuda
April 25, 2016

Heather A. Jacobs Matthews, JP, FCPA, FCA, CFE
Auditor General

**Government of Bermuda - Consolidated Fund
Statement of Financial Position
As at March 31**

| | | 2015 Actual | 2014 Actual |
|--|-----------------|----------------------|----------------------|
| | | \$ | \$ |
| Liabilities | | | |
| | <u>Schedule</u> | | |
| Accounts Payable and Accrued Liabilities | 5 | 152,173,513 | 158,195,821 |
| Deferred Revenue (Note 16) | 6 | 8,735,621 | 36,054,549 |
| Deferred Insurance Proceeds | | <u>3,263,284</u> | - |
| | | <u>164,172,418</u> | <u>194,250,370</u> |
| Interest Bearing Debt - Net of Sinking Fund | 7 | <u>2,049,652,442</u> | <u>1,768,442,271</u> |
| Pensions and Other Employee Future Benefits | | | |
| - Pensions and Retirement Benefits (Note 9(g)) | | 1,249,750,620 | 1,145,115,545 |
| - Compensated Absences (Note 8) | | <u>26,312,056</u> | <u>26,182,883</u> |
| | | <u>1,276,062,676</u> | <u>1,171,298,428</u> |
| Other Liabilities | | | |
| Due to Government Funds and Agencies | 3(a) | 21,697,314 | 45,728,754 |
| Total Liabilities | | 3,511,584,850 | 3,179,719,823 |
| Financial Assets | | | |
| Cash and Cash Equivalents | | 39,416,834 | 21,818,948 |
| Accounts Receivable | 1 | 140,097,286 | 136,625,225 |
| Due from Government Funds and Agencies | 3 | 38,285,151 | 23,212,713 |
| Long-Term Receivables | 4 | 902,908 | 1,191,140 |
| Investment in BLDC (Note 14(b)(iii)) | | 5,000,000 | 5,000,000 |
| Investment in ACBDA (Note 14(b)(vii)) | | 100 | - |
| Total Financial Assets | | 223,702,279 | 187,848,026 |
| Net Debt | | 3,287,882,571 | 2,991,871,797 |
| Non-Financial Assets | | | |
| Tangible Capital Assets | 11 | 685,023,784 | 722,214,382 |
| Assets under Construction | 11 | 63,366,306 | 52,476,614 |
| Inventories for Consumption | 2 | 13,788,999 | 16,479,001 |
| Prepaid Expenses | | 3,739,497 | 2,704,490 |
| Total Non-Financial Assets | | 765,918,586 | 793,874,487 |
| Accumulated Deficit | | 2,521,963,985 | 2,197,997,310 |
| Contingent Liabilities, Non-Contractual Operational Obligations, Contractual Obligations and Commitments - Legislated (Notes 10, 11, 12 and Schedule 13) | | | |

**Government of Bermuda - Consolidated Fund
Statement of Operations and Accumulated Deficit
For the year ended March 31**

| | | 2015 | 2014 |
|---|-------------------------|------------------------|-----------------|
| | | Actual ¹ | Actual |
| | | \$ | \$ |
| Revenue | <u>Schedule</u> 8, 9 | | |
| Taxes & Duties | | | |
| Payroll Tax | | 326,859,202 | 330,848,121 |
| Customs Duty | | 171,469,468 | 174,951,259 |
| Other Taxes and Duties | | 64,909,437 | 62,751,362 |
| Land Tax | | 61,101,087 | 60,476,977 |
| Passenger Tax | | 32,908,276 | 33,921,396 |
| Total Taxes & Duties | | 657,247,470 | 662,949,115 |
| Fees, Permits & Licenses (Note 16) | | 220,875,261 | 197,038,543 |
| Other Revenue | | 23,065,182 | 20,481,618 |
| Investment Income | | 2,553,694 | 3,445,828 |
| Total Revenue | | 903,741,607 | 883,915,104 |
| Expenses | 10 | | |
| Economic Development | | 385,345,525 | 402,578,077 |
| Health | | 197,219,536 | 211,775,144 |
| National Security | | 148,166,393 | 148,265,878 |
| Education | | 134,322,777 | 141,683,778 |
| Interest on Debt | | 113,222,504 | 109,244,778 |
| Social Services & Assistance | | 85,786,827 | 83,078,244 |
| Other General Government Services | | 58,880,472 | 64,866,207 |
| Gain on Benefits Plans Amendments (Note 9(g)) | | - | (214,091,800) |
| Pensions and Retirement Benefits Expense | | 104,764,248 | 120,532,461 |
| Total Expenses | | 1,227,708,282 | 1,067,932,767 |
| Annual Deficit | | (323,966,675) | (184,017,663) |
| Accumulated Deficit, Beginning of Year | | (2,197,997,310) | (2,013,979,647) |
| Accumulated Deficit, End of Year | | (2,521,963,985) | (2,197,997,310) |

¹ Estimates against these actuals are provided for revenue in Schedules 8 and 9 and for current expenses in Schedules 10(a) and 10(b) for appropriation purposes.

**Government of Bermuda - Consolidated Fund
Statement of Change in Net Debt
For the year ended March 31**

| | 2015 | 2014 |
|---|------------------------|-----------------|
| | Actual | Actual |
| | \$ | \$ |
| Annual Deficit | (323,966,675) | (184,017,663) |
| Change Due to Tangible Capital Assets: | | |
| Net Additions to Tangible Capital Assets | (16,502,182) | (35,541,886) |
| Net Additions to Assets under Construction | (10,889,692) | (8,624,694) |
| Amortization of Tangible Capital Assets | 53,692,780 | 54,677,285 |
| Total Change Due to Tangible Capital Assets | 26,300,906 | 10,510,705 |
| Net Reductions (Additions) to Inventories for Consumption | 2,690,002 | (1,751,052) |
| Net (Additions) Reductions to Prepaid Expenses | (1,035,007) | 3,021,582 |
| Total Change Due to Inventories for Consumption and Prepaid Expenses | 1,654,995 | 1,270,530 |
| Increase in Net Debt | (296,010,774) | (172,236,428) |
| Net Debt, Beginning of Year | (2,991,871,797) | (2,819,635,369) |
| Net Debt, End of Year | (3,287,882,571) | (2,991,871,797) |

**Government of Bermuda - Consolidated Fund
Statement of Cash Flow
For the year ended March 31**

| | 2015 | 2014 |
|--|-------------------|---------------------|
| | Actual | Actual |
| | \$ | \$ |
| Operating Activities | | |
| Annual Deficit ¹ | (323,966,675) | (184,017,663) |
| Items not affecting cash: | | |
| Amortization of Tangible Capital Assets | 53,692,780 | 54,677,285 |
| Increase (Decrease) in Pension and Retirement Benefits Liability | 104,635,075 | (94,302,441) |
| Increase in Compensated Absences Liability | 129,173 | 743,102 |
| Decrease in Non-Cash Working Capital | (70,710,764) | (14,873,061) |
| Cash Applied to Operating Activities | (236,220,411) | (237,772,778) |
| Capital Activities | | |
| Net Additions to Tangible Capital Assets | (16,502,182) | (35,541,886) |
| Net Additions to Assets under Construction | (10,889,692) | (8,624,694) |
| Cash Applied to Capital Activities | (27,391,874) | (44,166,580) |
| Financing Activities | | |
| Debt issues | - | 800,000,000 |
| Decrease (Increase) in Sinking Fund | 401,210,171 | (439,415,763) |
| Debt retirement | (120,000,000) | - |
| Cash Provided By Financing Activities | 281,210,171 | 360,584,237 |
| Net Increase in Cash and Cash Equivalents | 17,597,886 | 78,644,879 |
| Cash and Cash Equivalents, Beginning of Year | 21,818,948 | (56,825,931) |
| Cash and Cash Equivalents, End of Year | 39,416,834 | 21,818,948 |

¹ Interest received during the year was \$7,322,029 (2014 - \$158,647). Interest paid during the year was \$115,545,809 (2014 - \$101,129,140). Interest received is made up of interest income from the Statement of Operations in the amount of \$2,553,694 (2014 - \$3,445,828) plus the change in accrued interest receivable in the amount of \$4,768,335 (2014 - \$(3,287,181)). Interest paid is made up of interest expense from the Statement of Operations in the amount of \$113,222,504 (2014 - \$109,244,778) plus the change in accrued interest payable in the amount of \$2,323,302 (2014 - \$(8,115,638)).

Government of Bermuda – Consolidated Fund

Notes to the Financial Statements

March 31, 2015

1. Authority

The Consolidated Fund (the “Fund”) operates under the authority of the Bermuda Constitution Order 1968 and amendments, and the Public Treasury (Administration and Payments) Act 1969 and amendments.

All public money is paid into the Fund and legislative authority must be obtained for any expenditure out of the Fund.

The Legislature provides authority to make payments out of the Fund in annual Appropriation Acts, Supplementary Estimates and other statutes. Unused spending authority for current account appropriations lapses at the end of the fiscal year. Unused spending authority for uncompleted capital projects is carried forward to subsequent fiscal years, subject to the approval of the Minister of Finance.

2. Reporting Entity

The Fund’s financial statements report the financial position, results of operations, change in net debt and cash flow resulting from the activities of the Fund only, which comprise the accounts of the Senate, the House of Assembly, all Government departments and offices (including the Public Service Commission) and all courts. The Fund is established and defined pursuant to Section 94 of the Bermuda Constitution Order 1968.

These financial statements are not summary consolidated financial statements of the Government of Bermuda (the “Government”). Separate audited financial statements are prepared for all other Government organizations.

These financial statements are prepared in accordance with the legislative requirements as outlined in Sections 5 and 32A of the Public Treasury (Administration and Payments) Act 1969 and amendments.

The Government adheres to the general practice of using a Consolidated Fund as its general operating fund. Schedules 8 to 11 provide information concerning the operations, tangible capital assets and capital expenses of individual Government departments and funds and agencies comprising the Fund.

3. Summary of Significant Accounting Policies

The recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the Chartered Professional Accountants of Canada (which are promoted by the Chartered Professional Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda) are the source for the disclosure basis of accounting.

The preparation of financial statements in accordance with Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

3. Summary of Significant Accounting Policies (cont'd)

and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are as follows:

(a) Basis

The financial statements are prepared on the accrual basis of accounting.

(b) Revenue

Revenues are accounted for in the fiscal year in which the transactions or events occurred that gave rise to the revenues.

Revenues not practicably measurable until cash is received are accounted for upon receipt.

Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are reported as deferred revenue.

Payroll and corporate service tax are recognized when reported for the first three quarters and based on estimates for the last quarter. Land tax is recognized in the month the tax is due. Stamp duty is recognized upon completion of the review of the related legal documents. Non-Bermudian land acquisition tax is recognised when an application is made. Passenger tax, foreign currency purchase tax, hotel occupancy tax, betting tax and timesharing tax are recognized when reported.

Tax concessions result in a reduction of the revenue type for which relief is being provided.

(c) Expenses

Expenses are accounted for in the fiscal year that goods and services are acquired, a liability is incurred or grant payments are due.

Contributions to Government funds and agencies are expensed in the year the expenditure is made.

Classification of expenses between current account items and capital account items follows the classification in the Approved Estimates.

(d) Interdepartmental Revenues and Expenses

Interdepartmental revenues and expenses are not eliminated but are identified in Schedules 9(a) and 10(c), respectively.

(e) Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash and cash equivalents, accounts receivable, amounts due from Government funds and agencies, long-term receivables and investments in QUANGOs.

Cash and cash equivalents include cash on hand and demand deposits that are readily convertible to known amounts of cash. These are subject to an insignificant risk of changes in value.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

3. Summary of Significant Accounting Policies (cont'd)

(e) Financial Assets (cont'd)

Accounts receivable, long-term receivables and amounts due from Government funds and agencies are recorded at cost. A provision is recorded when collection of the receivable or amounts due is considered doubtful.

Investments in QUANGOs are recorded at cost.

(f) Non-Financial Assets

Non-Financial assets are resources that are employed for future services. They include tangible capital assets, assets under construction, inventories for consumption and prepaid expenses. The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized over the estimated useful lives of the assets. Where original acquisition documents were difficult to retrieve, the Book Value Calculator, developed by the Chief Appraiser of Public Works and Government Services Canada (as modified by them to address the Bermuda Government situation), was used to establish reasonable estimates of the Net Book Values in order to develop opening balances.

Other tangible capital assets that do not meet the minimum threshold requirements for their respective asset class have continued to be charged to capital expenses in the year of purchase, which is consistent with prior years. These expenses are currently classified as capital development and capital acquisition expenses on Schedule 10, Expenses by Program. Included in the capital development and capital acquisition expenses are other significant items: capital grants, repairs and maintenance, professional fees and other items which are expensed as they are incurred. Tangible capital assets that have not yet been disclosed include historical treasures.

Amortization is recorded on a straight-line basis for all assets, according to the following:

| | |
|-------------------------|---|
| Buildings | 2 – 40 years |
| Leasehold Improvements | Remaining life or lease period of the related asset |
| Betterments | Remaining life or lease period of the related asset |
| Heavy Equipment | |
| \$10,000 to \$99,999 | 5 years |
| \$100,000 and above | 7 years |
| Vehicles | |
| 2 to 3 Wheeled Vehicles | |
| \$3,000 to \$99,999 | 5 years |
| \$100,000 and above | 7 years |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

3. Summary of Significant Accounting Policies (cont'd)

| | |
|---|---------------|
| 4 or More Wheeled Vehicles | |
| \$0 to \$99,999 | 5 years |
| \$100,000 and above | 7 years |
| Boats & Vessels | |
| \$10,000 to \$99,999 | 5 years |
| \$100,000 and above | 10 years |
| Capital Leases | |
| \$3,000 and above | 3 years |
| Computer Hardware | |
| \$3,000 to \$99,999 | 3 years |
| \$100,000 and above | 7 years |
| All laptops and desktop computers are capitalized | |
| Computer Software | |
| \$20,000 and above | 10 years |
| Furniture & Fixtures | |
| \$3,000 and above | 7 years |
| Office Equipment | |
| \$3,000 and above | 5 years |
| Plant, Machinery & Equipment | |
| \$50,000 and above | 10 – 30 years |
| Infrastructure | |
| \$50,000 to \$199,999 | 10 years |
| \$200,000 and above | 40 years |

The Ministry of Public Works is primarily responsible for Government's tangible capital assets. In prior years, amortization was reported as a single expense item of this Ministry. Amortization expense is now reported under the respective departments. Since amortization is a non-cash expense, it is removed for appropriation reporting purposes.

Assets under construction relate to the development of buildings, betterments, vehicles, computer hardware, computer software, infrastructure, office equipment and vessels. Upon completion, the balance of assets under construction will be transferred to tangible capital assets and amortized based on the appropriate useful life.

Tangible capital assets that have historical or cultural value, including works of art, historical documents, and historical and cultural artifacts, are not recognized as tangible capital assets in these financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

3. Summary of Significant Accounting Policies (cont'd)

Inventories for consumption are comprised of spare parts and supplies that are held for future program delivery and are not intended for resale. They are valued at cost. Inventories for consumption that no longer have service potential are valued at the lower of cost and net realizable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories for consumption that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

(g) Liabilities

Liabilities are recorded for financial obligations to organizations and individuals occurring as a result of transactions and events arising on or before the year-end. They occur as a result of contracts, agreements and legislation in force at the year-end that require the Government to repay borrowings or to pay for goods and services acquired or provided on or before the year-end. Liabilities also include grant payments due where no direct value is received in return.

(h) Translation of Foreign Currencies

The financial statements are reported in Bermuda dollars. The Bermuda dollar is valued at par with the United States dollar. Financial assets (excluding investments) and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year-end date. Non-financial assets and investments are translated at historical rates of exchange. Revenues and expenses originating in foreign currencies are translated at the exchange rate in effect on the date the specific transactions occurred. Translation gains and losses are included in the Statement of Operations and Accumulated Deficit.

(i) Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate payroll and land taxes, accruals for pension obligations and retirement benefits, accruals for environmental obligations, allowances for doubtful receivables and accruals for liabilities through actuarial valuations.

The nature of the uncertainty related to the accruals for pension obligations and retirement benefits arise because actual results may differ significantly from the Government's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of the participants.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

3. Summary of Significant Accounting Policies (cont'd)

The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Government's responsibilities to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful receivables is based upon actual collectability and changes in economic conditions.

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future condition in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

(j) Risk Management of Public Debt

Funds are borrowed in both domestic and foreign capital markets by issuing Government senior notes and using bank loans and other credit facilities. This borrowing activity is used to fund government capital expenditure programs and other budgeted governmental operations. These transactions result in exposure to four types of risk: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates. This risk is managed by issuing debt securities as predominately fixed rates of interest rather than floating rates of interest for fixed terms.

Foreign exchange risk is the risk that debt servicing costs will increase due to a decline of the Bermuda dollar relative to other currencies. This risk is managed by maintaining a preference for debt that is issued predominately in United States ("US") dollars. The Bermuda dollar is pegged to the US dollar to eliminate the impact of any fluctuations in the exchange rates between the two.

Credit risk is the risk that a loss might occur from the failure of another party to meet its obligations under a derivative financial instrument contract. The risk is managed by issuing debt securities that have no derivatives as the underlying securities. The debt instruments are senior notes of the Government and loan facilities with a domestic lender.

Liquidity risk is the risk that financial commitments will not be met over the short term. This risk is managed through the establishment of the Government Borrowing Sinking Fund as a separate legal entity for the repayment of government debt and to pay interest charged on long-term public debt under the provisions of the Government Loans Act 1978 as amended.

(k) Future Changes in Accounting Standards

Each year new standards and amendments to standards may be issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The standards following are not yet effective and have not been applied in preparing these financial statements.

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015**

3. Summary of Significant Accounting Policies (cont'd)

PS 2200 Related party disclosures – a new standard that defines a related party and establishes disclosures required for related party transactions. PS 3420 Inter-entity transactions – a new standard that establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. PS 3210 Assets – a new standard that provides guidance for applying the definition of assets set out in PS 1000, and establishes general disclosure standards for assets. PS 3320 Contingent assets – a new standard that defines and establishes disclosure standards on contingent assets. PS 3380 Contractual rights – a new standard that defines and establishes disclosure standards on contractual rights. Each of these new standards becomes effective for fiscal years beginning on or after April 1, 2017.

PS 3450 Financial Instruments – a new standard providing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives. PS 1201 Financial Statement Presentation – replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements. PS 2601 Foreign Currency Translation – replaces PS 2600 and has revised standards on accounting for and reporting transactions denominated in a foreign currency. Each of these new standards becomes effective for fiscal years beginning on or after April 1, 2019.

The Government does not intend to adopt these new standards prior to the effective dates. The impact that these standards will have on the financial statements is not deemed significant.

4. Approved Estimates of the Government

(a) Budget Process

Annually, the Government presents a Budget (“Estimates”) of expected revenues and expenditures for the following fiscal year. The Government’s spending Estimates for the fiscal year commencing April 1, 2014 were presented to the Members of the Legislature by the Minister of Finance. The Estimates outline the spending plans of each Ministry/Department submitted for approval to the Legislature in the Appropriations Act.

The Estimates referred to in the financial statement Schedules 8, 9, 10(a) and 10(b) are from the original Approved Estimates of Revenue and Expenditure for the fiscal year 2014/15 and do not reflect changes arising from the tabling of Supplementary Estimates, except for the Adjusted Estimates referred to in Schedule 12 which include the original Approved Estimates and any tabled Supplementary Estimates.

(b) Comparison of Expenses to Estimates for Expenditure

The Ministry of Finance prepares annual Estimates on the modified cash basis. These financial statements are prepared on an accrual basis. Due to the difference in accounting, Schedule 12 restates actual expenses to the modified cash basis for

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

4. Approved Estimates of the Government (cont'd)

comparative and analytical purposes against the adjusted estimates. The most significant differences are as follows:

- (i) Bad Debts – For financial statement purposes, a provision is established and expensed for accounts receivable where collection is doubtful. For budget purposes, no such provision is made.
- (ii) Pension – The financial statement pension-related expense is explained in Note 9. For budget purposes, pension expense is equal to its funding requirements.
- (iii) Government Borrowing Sinking Fund (Note 5) – Transfers to the Sinking Fund are recorded as cash transfers against long-term debt. For budget purposes, the Sinking Fund contribution is considered expenditure.
- (iv) Compensated Absences – Certain Government employees are entitled to paid retirement leave, as explained in Note 8. For budget purposes, retirement pay is estimated based on anticipated salary spending for the current year.
- (v) Amortization – For financial statement purposes, annual amortization of tangible capital assets is expensed based on the respective assets as explained in Note 3(f). For budget purposes, amortization is not considered expenditure.
- (vi) Environment Liability – As explained in Note 10(c), the Government has recognized a cost of restoration of land. For budget purposes, the liability established is not considered expenditure.

5. Government Borrowing Sinking Fund

Effective March 31, 1993, the Government Borrowing Sinking Fund (the “GBSF”) was established as a separate legal entity for the repayment of Government borrowing under the provisions of the Government Loans Act 1978 as amended.

During each financial year, the Fund must pay to the GBSF 2.5% of the public debt outstanding in the Fund at the end of the preceding year. Under Section 12AA of the Government Loans Act 1978 as amended, the Minister may, by Order, suspend the annual contribution for a period of twelve months.

| 2014 | 2015 | | | 2015 |
|---------------------|----------------------|-----------------|-----------------|---------------------|
| \$ | \$ | | | \$ |
| Sinking Fund | Contributions | Earnings | Payments | Sinking Fund |
| 536,557,729 | 47,668,550 | 2,554,090 | (451,432,811) | 135,347,558 |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

5. Government Borrowing Sinking Fund (cont'd)

Up until 2013, the GBSF assets were only to be applied to reduce, cancel or pay interest on public debt. In 2013 the Government Loans Act 1978 was amended to allow excess funds borrowed to be paid into the Sinking Fund and applied to future year deficits. The assets are invested in accordance with the Public Funds Act 1954 and are shown as a reduction of debt issued on the Fund's Statement of Financial Position.

The assets of the GBSF are comprised of the following:

| | 2015 | 2014 |
|------------------------|-------------|-------------|
| | \$ | \$ |
| Short Term Investments | 118,722,094 | 437,286,780 |
| Fixed Term Deposits | 16,625,464 | 99,270,949 |

The following is a schedule of projected contributions to the GBSF by the Fund up to March 31, 2020, based on estimated debt levels to March 31, 2016:

| | \$ |
|----------|------------|
| For 2016 | 52,250,000 |
| For 2017 | 58,375,000 |
| For 2018 | 61,110,000 |
| For 2019 | 63,553,000 |
| For 2020 | 63,553,000 |

There are separate audited financial statements for the GBSF to which readers should refer for further information.

6. Contingencies Fund

On March 14, 1979 the House of Assembly passed a resolution to withdraw \$1 million from the Fund to set up a Contingencies Fund under the provisions of Section 10(1) of the Public Treasury (Administration and Payments) Act 1969 as amended.

The purpose of the Contingencies Fund is to allow the Minister of Finance to authorize urgent and unforeseen expenditures up to \$1 million prior to the approval of the Legislature by supplementary estimate. The Contingencies Fund balance is not segregated from general operating cash and cash equivalents and accumulated deficit.

Government of Bermuda – Consolidated Fund
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7. Unemployment Insurance Fund

The Unemployment Insurance Fund (the “Insurance Fund”) was established March 18, 2002 by amendment to the Public Treasury (Administration and Payments) Act 1969 as amended under the provisions of Section 10B. The Legislature authorized \$1 million to be set aside within the Fund to set up the Insurance Fund.

The Minister of Finance will pay amounts approved by the Legislature as Government’s contribution to the Insurance Fund. Monies paid into the Insurance Fund will be invested in accordance with the Public Funds Act 1954 and the interest earned on such investments will be paid into the Insurance Fund.

On August 10, 2011 the Government amended the Public Treasury (Administration and Payments) Act 1969 as amended in order to make further provision about the Insurance Fund. The Act was amended to provide for payments out of the Fund to be made at the direction of the Minister of Finance for the purpose of assisting unemployed persons.

8. Compensated Absences

Certain Government employees are entitled to paid retirement leave under the various union agreements that exist with the Government. Paid retirement leave is available to those eligible employees with a minimum of ten years credited service, who are retiring on the basis of age. The leave is paid at the salary level immediately preceding the date of retirement, to a maximum eligibility of twelve weeks.

The Government offered a Voluntary Early Retirement Incentive Plan (“VERIP”) in February 2015 which allowed certain eligible employees to commence retirement. The retirements are to be effective on March 31, 2015 or June 30, 2015 if employed in the education sector. The VERIP resulted in a curtailment gain of \$677,003 as at March 31, 2015.

An actuarial valuation of the Government’s obligation for retirement leave was performed at March 31, 2014. The results were then extrapolated to March 31, 2015, using similar various long-term assumptions as the Public Service Superannuation Fund pension plan (Note 9 (b)). The extrapolation determined that the accrued benefit obligation for retirement leave is currently \$26,312,056 (2014 - \$26,182,883), as defined in the table below.

| | 2015 \$ | 2014 \$ |
|---|-------------|-------------|
| Accrued benefit obligation, beginning of year | 26,182,883 | 25,439,781 |
| Amortization of experience loss | (384,062) | (145,685) |
| Current period benefit cost | 1,211,397 | 1,190,012 |
| Interest accrued | 1,411,148 | 1,510,781 |
| Benefit payments | (1,432,307) | (1,812,006) |
| Curtailment gains | (677,003) | - |
| | <hr/> | <hr/> |
| Accrued benefit obligation, end of year | 26,312,056 | 26,182,883 |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

9. Pensions and Retirement Benefits

(a) Contributory Defined Benefit Pension Plans

The Government administers contributory defined benefit pension plans for substantially all of its employees, quasi-autonomous non-governmental organization (“QUANGO”) employees and all ministers and members of the Legislature. There are two plans currently in operation – the Public Service Superannuation Fund (the “PSSF”) and the Ministers and Members of the Legislature Pensions Fund (the “MMLPF”).

For the PSSF, a service pension is available with a minimum of 8 years credited service. Subject to exceptions as outlined in the Public Service Superannuation Act 1981, it is based on the number of years of service times 1.5% of the salary payable immediately preceding the date of retirement. Additional benefits are provided to special groups such as police, corrections and fire services officers.

For the MMLPF, a service pension is generally available to contributors who have reached age 60 and have served for at least 8 years, or to contributors who have reached age 55 and have served for at least 20 years. The rate of pension is 3/1000th of the monthly salary payable to a minister, member or officer, on the date on which the contributor becomes entitled to receive a pension, for each month of service rendered up to a maximum of 25 years.

Employees contribute 8.0% of their basic salary to the PSSF and Ministers and Members contribute 12.5% of their salary to the MMLPF. The Government matches the participants’ contribution in each plan. The amount of Government contributions made during the year for each plan was as follows: PSSF - \$31,926,513 (2014 - \$33,093,862), MMLPF - \$438,770 (2014 - \$454,927). The Public Service Superannuation Act 1981 and the Ministers and Members of the Legislature (Salaries and Pensions) Act 1975, as amended, provide that, if at any time the funds are insufficient to meet the payments chargeable against them, the deficiency shall be made up out of the Fund.

(b) Pension Liability

Normally, the pension liability is calculated on an actuarial basis. Actuarial valuations are performed triennially using the projected benefit method, pro-rated on services. An actuarial valuation was performed on both the PSSF and the MMLPF as at March 31, 2014. The results were then extrapolated to March 31, 2015 using the same assumptions, to produce the estimates included in the financial statements.

Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, employee turnover and mortality. The assumptions used reflect Government’s best estimates of expected long-term rates and short-term forecasts.

The most significant assumptions are that the average investment return will be greater than the average rate of salary increase by approximately 2.25% (prior valuation – 2.25%) and the cost of living increase will be 0% per annum (prior valuation – 3.0%), suspended as at March 31, 2014.

As at March 31, 2014, the Government adopted the new Canadian CPM2014Publ scale (with full generational mortality improvement, using Scale CPM-B for the mortality

Government of Bermuda – Consolidated Fund
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March 31, 2015

9. Pensions and Retirement Benefits (cont'd)

assumption). The adoption of these tables resulted in a material increase in the projected accrued benefit obligations (“ABO”) of the funds for 2014. The Government recognized the cost of adopting the new mortality tables in the year ended March 31, 2014.

For the PSSF, pension fund assets consist primarily of listed stocks and bonds, short-term investment funds, hedge funds and private equity investments. Market-related asset values, which recognize the differences between the actual return on assets and the expected return on assets over a period of five years, have been used to determine the pension liability and pension-related expenses for the PSSF.

The market-related value of assets for the PSSF was \$592,021,374 as at March 31, 2015 (2014 - \$563,232,830) compared to a real market value of \$586,607,274 (2014 - \$572,747,186).

For the MMLPF, there is no difference between the market value of plan assets and the market-related value. As at March 31, 2015, the value was \$12,782,000 (2014 - \$12,456,938). The actual return on plan assets during the year was 1.85% (2014 - 7.44%) for the PSSF and 7.00% (2014 - 7.03%) for the MMLPF.

As at March 31, 2015, \$7,275,843 (2014 - \$19,503,788) was due to the PSSF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)). As at March 31, 2015, \$13,012,088 (2014 - \$12,633,281) was due to the MMLPF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)).

(c) Pension-Related Expenses

Pension-related expenses recognized by the Fund comprise the cost of pension benefits earned by employees during the year, interest on the pension benefit liability (net of interest on pension plan assets) and amortization of the Government’s share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the Government’s share of plan amendments related to past service is expensed in the year the plan is amended. The pension-related expense is disclosed in Schedule 10(a) as a component of pensions and retirement benefits expense.

In the year ended March 31, 2015 the Government adopted a VERIP whereby, if approved, eligible employees could retire on March 31, 2015 or June 30, 2015 if they were in the education sector. This Plan change resulted in prior service cost charge of \$1,028,000. This charge will be offset against the unamortized actuarial gains and fully recognized in the Statement of Operations and Accumulated Deficit.

At March 31, 2014, the cost of living adjustment (“COLA”) was removed for both current and future pensioners for both the PSSF and MMLPF in order to improve the sustainability of the respective pension plans. This amendment resulted in significant decreases of the ABO of the funds. The Government offset the net unamortized experience losses as at March 31, 2014 of \$173,426,000 against the decrease of the ABO of \$432,661,000 to eliminate all existing amortization schedules. The remaining balance was fully recognized in the Statement of Operations and Accumulated Deficit in the year ended March 31, 2014.

Aggregate information about the PSSF and MMLPF is in the following tables.

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Notes to the Financial Statements
March 31, 2015

9. Pensions and Retirement Benefits (cont'd)

(d) Funded Status of Plans

| For the year ended March 31 | 2015 | 2014 |
|---------------------------------|----------------------|----------------------|
| | Actual | Actual |
| | \$ | \$ |
| Pension Liability | | |
| Accrued Benefit Obligation | | |
| PSSF | 1,423,120,000 | 1,359,815,000 |
| MMLPF | 31,077,000 | 30,075,000 |
| | <u>1,454,197,000</u> | <u>1,389,890,000</u> |
| Net Fund Assets | | |
| PSSF | (592,021,000) | (563,233,000) |
| MMLPF | (12,782,000) | (12,457,000) |
| | <u>(604,803,000)</u> | <u>(575,690,000)</u> |
| Net Unamortized Experience Gain | | |
| PSSF | 2,636,000 | - |
| Pension Liability | | |
| PSSF | 833,735,000 | 796,582,000 |
| MMLPF | 18,295,000 | 17,618,000 |
| Carried Forward to Note 9 (g) | <u>852,030,000</u> | <u>814,200,000</u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

9. Pensions and Retirement Benefits (cont'd)

| For the year ended March 31 | 2015 Actual \$ | 2014 Actual \$ |
|--|----------------------|----------------------|
| Pension Expense | | |
| Cost of Pension Benefits | 49,345,000 | 57,371,000 |
| Employee Contributions | (32,366,000) | (33,549,000) |
| Interest on Pension Liability | 54,002,000 | 70,747,000 |
| Prior Period Service Costs | - | (432,661,000) |
| Recognition of Unamortized Net Actuarial Losses | - | 173,426,000 |
| Amortization of Experience Gains & Losses | | |
| 2004 Experience Loss | - | 21,908,000 |
| 2005 Experience Loss | - | 2,048,000 |
| 2006 Experience Loss | - | 596,000 |
| 2007 Experience Gain | - | (352,000) |
| 2008 Experience Loss | - | 5,243,000 |
| 2009 Experience Loss | - | 7,609,000 |
| 2010 Experience Gain | - | (2,548,000) |
| 2011 Experience Loss | - | 443,000 |
| 2012 Experience Loss | - | 944,000 |
| 2013 Experience Loss | - | 440,000 |
| 2014 Experience Loss | - | - |
| 2015 Experience Loss | - | - |
| Pensions and Retirement Benefits Expense (Gain) excluding Employer Contribution | 70,981,000 | (128,335,000) |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

9. Pensions and Retirement Benefits (cont'd)

Value of Obligations Relating to Benefits for the Pension Plans

The value of obligations relating to benefits for the pensions plan at a given date is determined using the actuarial projections prorated on service, taking into account, among other things, the most probable long-term economic assumption made by the Government.

Main economic assumptions used:

| | PSSF (%) | MMLPF (%) |
|-------------------------------|---------------------------|----------------------------|
| Inflation Rate | 3.00 | 3.00 |
| Discount Rate for Obligations | 6.50 | 6.50 |
| Salary Escalation Rate | 4.25 | 3.50 |

Changes in these assumptions may lead to a material increase or decrease in the value of the obligations relating to vested benefits. The following tables, which take the main assumptions into account, show the potential impact of a difference of 1.00% in the value of the obligations for the two pension plans, PSSF and MMLPF. The tables also show the impact of a one-year difference in life expectancy, considering that, according to current assumptions, the life expectancy of beneficiaries aged 60 is 21.8 years for men and 25.6 years for women.

Impact of changes on the main assumptions on the value of obligations relating to PSSF benefits as at March 31, 2015:

| Assumption | Change | Impact on ABO (\$) | Impact on ABO (%) |
|----------------------|-----------------|-------------------------------------|------------------------------------|
| Discount rate | 1.0% increase | (148,963,000) | (10.5) |
| | 1.0% decrease | 184,040,000 | 12.9 |
| Salary increase rate | 1.0% increase | 53,702,000 | 3.8 |
| | 1.0% decrease | (48,263,000) | (3.4) |
| Life expectancy | 1 year increase | 22,376,000 | 1.6 |
| | 1 year decrease | (23,676,400) | (1.7) |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

9. Pensions and Retirement Benefits (cont'd)

Impact of changes on the main assumptions on the value of obligations relating to MMLPF benefits as at March 31, 2015:

| Assumption | Change | Impact on ABO (\$) | Impact on ABO (%) |
|----------------------|-----------------|-----------------------|----------------------|
| Discount rate | 1.0% increase | (2,938,000) | (9.5) |
| | 1.0% decrease | 3,509,000 | 11.3 |
| Salary increase rate | 1.0% increase | 699,000 | 2.3 |
| | 1.0% decrease | (653,000) | (2.1) |
| Life expectancy | 1 year increase | 822,000 | 2.6 |
| | 1 year decrease | (735,000) | (2.4) |

(e) Contributory Pension Fund

The Contributory Pension Fund (the “CPF”) was established under the Contributory Pensions Act 1970 as amended.

The purpose of the CPF is to provide old age pension, disability and death benefits for persons satisfying certain contribution, citizenship and residency requirements.

Contributions to the CPF are compulsory for persons employed in Bermuda, the self-employed and employers.

There is no legislative provision for the Fund to provide for any shortfall if, at any time, the CPF has insufficient funds to meet its current legislated obligations.

(f) Retirement Benefits Other than Pensions – Employee Health Insurance Plan

The Government administers a health care plan, the Government Employees Health Insurance Fund (the “GEHI Fund”), for substantially all of its employees, QUANGO employees, all ministers and members of the Legislature and retirees. The GEHI Fund provides medical insurance for retirees and eligible dependents with the Government matching the participants’ contribution to the plan.

An actuarial calculation of the Government’s obligations for retirement benefits other than pensions was performed for accounting purposes at March 31, 2014, using various long-term assumptions. The results were then extrapolated to March 31, 2015 to produce the estimates included in the financial statements.

The discount rate used in determining the accumulated post-retirement benefit obligation was 6.5% (2014 – 6.5%). The assumed health-care cost trend rate used was 8.5% (2014 - 9.0%). This will be decreasing by 0.5% per annum to 5.0% per annum by 2022.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

9. Pensions and Retirement Benefits (cont'd)

As at March 31, 2014, the Government adopted the Canadian Pensioner Mortality Table for Public Sector (CPM2014Publ) for the mortality assumption. The value accrues a liability in respect of the matching premium paid by Government under the insurance arrangement in respect of retired employees. The calculation is based on the projected benefit method pro-rated on service.

The VERIP resulted in a curtailment charge of \$1,700,684 as at March 31, 2015 which is comprised of an increase in the accrued benefit obligation of \$1,455,300 and recognition of unamortized losses of \$245,384.

As at March 31, 2014, the change in the local claims subsidy to 70% for persons between the age of 65 and 75 and to 80% for persons age 75 and over, the Government's ceasing of the portability claims subsidy and the benefits and coverage previously paid under the Mutual Re-insurance Fund becoming the responsibility of the Island's insurers resulted in a past service cost in the amount of \$45,143,200. The cost was fully recognized in the Statement of Operations and Accumulated Deficit.

As at March 31, 2015, changes to members and retirees contribution rates under the Plan gave rise to a past service gain of \$45,442,200 which was fully offset by the reduction in unamortized loss balance, and as such there is no effect on the Statement of Operations and Accumulated Deficit.

Aggregate information about the health care plan is in the table below:

| | 2015 | 2014 |
|--|--------------------|----------------------|
| | \$ | \$ |
| Accrued benefit obligation at beginning of year | 512,755,500 | 269,381,327 |
| Current period benefit cost | 20,211,100 | 10,291,944 |
| Interest accrued | 33,747,698 | 17,621,733 |
| Past service (gain) cost | (45,442,200) | 45,143,200 |
| Benefit payments | (7,331,399) | (6,847,426) |
| Curtailment impact | 1,455,300 | - |
| | <hr/> | <hr/> |
| Accrued benefit obligation at end of year | <u>515,395,999</u> | <u>335,590,778</u> |
| Expected accrued benefit obligation at end of year | 515,395,999 | 335,590,778 |
| Actual accrued benefit obligation at end of year | 423,134,021 | 512,755,500 |
| | <hr/> | <hr/> |
| Experience gain (loss) | <u>92,261,978</u> | <u>(177,164,722)</u> |

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015**

9. Pensions and Retirement Benefits (cont'd)

| | 2015 | 2014 |
|---|--------------|-------------|
| Expected average remaining service life | 11 years | 11 years |
| Annual amortization | \$18,476,992 | \$2,371,108 |

Liability for retirement benefits recorded in the statement of financial position

| | 2015 | 2014 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Accrued benefit obligation, end of year | 423,134,021 | 512,755,500 |
| Unamortized experience losses | (25,413,401) | (181,839,955) |
| Liability for retirement benefits (Note 9(g)) | <u>397,720,620</u> | <u>330,915,545</u> |

Expenses recorded in the statement of operations and accumulated deficit

| | 2015 | 2014 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Current period benefit cost | 20,211,100 | 10,291,944 |
| Amortization of experience losses | <u>18,476,992</u> | <u>2,371,108</u> |
| Retirement benefit expense | 38,688,092 | 12,663,052 |
| Retirement benefit interest expense | 33,747,698 | 17,621,733 |
| Past service cost | - | 45,143,200 |
| Curtailement impact | 1,700,684 | - |
| Total expenses related to retirement benefits | <u>74,136,474</u> | <u>75,427,985</u> |

(g) Accrued Pensions and Retirement Benefits Liability and Expense Summary

| | 2015 | 2014 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Pensions (Note 9(d)) | 852,030,000 | 814,200,000 |
| Retirement Benefits other than Pensions – Health Insurance Plan (Note 9(f)) | <u>397,720,620</u> | <u>330,915,545</u> |
| Total Pensions and Retirement Benefits Liability | <u>1,249,750,620</u> | <u>1,145,115,545</u> |

9. Pensions and Retirement Benefits (cont'd)

| | | | 2015 \$ | 2014 \$ |
|---|------------------|-------------------|--------------|---------------|
| | Pension Plans | Other Benefits | Total | Total |
| Plan amendments gain | (1,028,000) | (45,442,200) | (46,470,200) | (387,517,800) |
| Recognition of unamortized net actuarial losses | 1,028,000 | 45,442,200 | 46,470,200 | 173,426,000 |
| Gain on benefit plans amendments | - | - | - | (214,091,800) |
| Current period benefit cost | 49,345,000 | 21,422,497 | 70,767,497 | 68,852,956 |
| Amortization of experience losses | - | 18,092,930 | 18,092,930 | 38,556,423 |
| Employee contributions | (32,366,000) | - | (32,366,000) | (33,549,000) |
| Interest on accrued benefits | 54,002,000 | 35,158,846 | 89,160,846 | 89,879,514 |
| Employer contributions | (33,151,000) | (8,763,706) | (41,914,706) | (43,207,432) |
| Curtailment impact | - | 1,023,681 | 1,023,681 | - |
| Pensions and retirement benefits expense | 37,830,000 | 66,934,248 | 104,764,248 | 120,532,461 |

10. Contingent Liabilities

(a) Guarantees

(i) National Education Guarantee Scheme

In August 1994, the Government introduced the National Education Guarantee Scheme to provide qualifying students with financial guarantees on bank loans for post-secondary education. The repayment of principal and accrued interest is guaranteed by the Government. In the event of default by the student, the banks will call on the guarantee contract. At March 31, 2015, \$15,755 (2014 - \$26,129) is outstanding on guaranteed student loans with local banks.

(ii) West End Development Corporation (“WEDCO”) Guarantee

On April 1, 2009, the Minister of Finance consented to the borrowing of \$10 million by WEDCO from Clarien Bank (formerly Capital G Bank) to facilitate the completion of the new Sewage Treatment Plant at Dockyard.

The Minister of Finance further approved the guarantee given by the Ministry of Public Works to repay the indebtedness by way of annual payments to WEDCO until all indebtedness to Clarien Bank has been fully discharged.

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Notes to the Financial Statements
March 31, 2015

10. Contingent Liabilities (cont'd)

The Ministry of Public Works further guarantees and will make good any default on the part of WEDCO in the payment of the loan to Clarien Bank and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to Clarien Bank has been fully discharged. At March 31, 2015, \$2,857,145 (2014 - \$4,285,716) is outstanding on WEDCO's indebtedness to Clarien Bank (Schedule 5).

(iii) Bank of N.T. Butterfield Guarantee Agreement

On June 12, 2009, the Government assisted The Bank of N.T. Butterfield & Son Limited ("BNTB") in raising qualifying Tier 1 capital via a perpetual preference share offering of US\$200 million.

Accordingly the Government provided the commitment that if the full \$200 million Preference Share Offering was not achieved on or prior to June 30, 2009, the Government would purchase no later than June 30, 2009 such number of Preference Shares as was sufficient to ensure that the Bank realized aggregate proceeds equal to and not less than US\$200 million. As the offering was fully subscribed, no such Government purchase was necessary.

On June 22, 2009, the Government entered into a Preference Shares Guarantee Agreement with BNTB and others. The Government has guaranteed payment of 100% of the liquidation value of the outstanding Preference Shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of BNTB during the term of the guarantee. Also, the Government will act as a guarantor for the dividend payments relating to the Preference Shares issuance. Should the BNTB fail to declare and pay dividends in any quarterly dividend period during the term of the guarantee, the Government will pay such dividends at 8% per annum. As at March 31, 2015, Preference Shares with a liquidation value of \$182.9 million remained outstanding.

Pursuant to the Preference Share Offering, BNTB pays to the Government a fee of 1% per annum on the liquidation value of then outstanding Preference Shares issued to third party investors. The Government was in receipt of 4,279,601 warrants issued by BNTB to purchase a number of non-voting common shares of BNTB having an aggregate market price equal to US\$30 million. The initial exercise price for the warrants and the price for determining the number of common shares of BNTB subject to the warrants was \$7.01 per common share. The quantity of warrants is now 4,320,613 (2014 - 4,299,010) with an exercise price of \$3.472 (2014 - \$3.489). Per the valuation model run for March 31, 2015, the value of the warrants is \$0.002 (2014 - \$0.083) per warrant which represents a total value of \$8,641 (2014 - \$356,817).

(iv) Bermuda Hospitals Board (the "BHB") Guarantee

On December 1, 2010, the Minister of Finance provided an irrevocable Guarantee to Paget Health Services Limited on behalf of the BHB to facilitate the completion of the new acute care wing (the "New Facility") of the King Edward VII Memorial Hospital in Paget.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

10. Contingent Liabilities (cont'd)

The design and construction-related costs of the New Facility were approximately \$247 million. The Annual Service Payments commenced from June 12, 2014, the Service Commencement date, for a period of approximately thirty years, consisting of principal, interest, lifecycle and hard facilities management. A portion of the Annual Service Payment is indexed over the thirty year period to allow for changes in the cost of living and other related facility costs. The first year's Annual Service Payment was \$21.4 million.

The Guarantee agreement guarantees the payment obligations of the BHB to Paget Health Services Limited by the Government, as required by the lenders.

(v) Bermuda Economic Development Corporation (the “BEDC”) Guarantee

The Government provides funding to the BEDC to facilitate the function of the QUANGO as a guarantor on business loans for locally owned businesses in Bermuda. The Government provides funding to fulfill the payment obligations of the BEDC for defaulted loans.

No liability has been admitted and no provision for loans in default is included in the financial statements of the Government. The total of specific amounts deemed contingent liabilities of the Government, as determined by the BEDC, as at March 31, 2015 is \$1,483,764 (2014 - \$2,369,830).

(vi) Morgan's Point Letter of Comfort & Guarantee

On August 12, 2013 the Government provided a letter of comfort to the Morgan's Point hotel developer, Morgan's Point Limited (“MPL”) to confirm the Government's willingness to consider credit enhancement for the project. This letter was required so that MPL could begin discussions with potential lenders for the project's financing. The value of the possible credit enhancement provided by the letter of comfort was an amount up to, and not to exceed, US\$165 million, with the precise amount to be determined by the Government in its sole discretion.

On November 28, 2014, the Minister of Finance provided an irrevocable Guarantee Agreement to Arch Reinsurance Limited (“Arch”) on behalf of MPL. The guarantee was issued to provide credit support for a US\$5 million loan made by Arch to MPL for the purpose of meeting reasonable expenses incurred by MPL in connection with the first phase of the Morgan's Point Project, including expenses relating to architecture, design, construction, engineering and professional advice and services. The Government guarantees the full and prompt payment of the principal and interest on the Loan.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

10. Contingent Liabilities (cont'd)

(b) Claims and Potential Claims

The Government is subject to claims and potential claims related to breach of contract, damages to persons and property and like items. The effect of legal claims cannot be determined until they are settled or dismissed. No liability has been admitted and no provision for claims is included in the financial statements. Any resulting losses will be recorded and charged to operations in the year an amount can reasonably be determined.

The total of specific amounts claimed or potential settlements which are under litigation or possible litigation as at March 31, 2015 is \$15,512,294 (2014 - \$21,049,879).

(c) Base Lands Clean Up

The Government recognizes that there will be a cost for restoration of the land at the bases formerly occupied by the US military. It is anticipated that such costs would include removal of hazardous materials and clean-up.

A liability of \$36,820,519 (2014 - \$44,078,555) has been accrued, which is an estimate of the remaining costs of the clean-up and remediation at the three former major base land sites. The estimated range is \$28.5 million to \$41 million.

The cost for Southside (estimated at \$10.5 million, with a range of \$10.5 million to \$20 million) involves demolition of buildings beyond refurbishment and removal of asbestos.

The cost for clean-up of Tudor Hill (estimated at \$1 million with a range of \$1 million to \$2 million) is for removal of asbestos and demolition of buildings on the site.

Clean-up of Morgan's Point is estimated at \$18.8 million (with a range of \$17 million to \$19 million) to remove environmental hazards and fuel storage tanks, removal and remediation of asbestos, as well as demolition of derelict buildings. To be conservative, the Morgan's Point provision remains at \$25.3 million, comprised of the prior year provision less actual expenditures incurred during the current year.

The Government had a registered professional engineer conduct an independent review of the estimates in 2012 and 2014.

The Government signed the Morgan's Point Exchange Agreement with Southlands Limited and MPL. The agreement exchanged 12.454 hectares of land owned by Southlands Ltd., located in Warwick, for 66.82 acres of freehold land at Morgan's Point in Southampton. Furthermore, the agreement provides MPL, as the Developer, the ability to develop an additional 128.46 acres of Leasehold property at Morgan's Point, as further detailed in the Morgan's Point Land Development Agreement, also signed and dated April 8, 2011, amongst the same parties.

Article 6 of the Morgan's Point Land Development Agreement, states the Government is still responsible for the remediation of the Morgan's Point property to international standards deemed reasonably acceptable to the Developer. These standards are met in the request for proposal issued in 2009.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

10. Contingent Liabilities (cont'd)

(d) Hotels Concession Act 2000 and the Memorandum of Understanding for Bermuda Hotel Association, Restaurants and Retail Relief

On February 21, 2009, the Government entered into a Memorandum of Understanding (“MoU”) with the Bermuda Hotel Association to provide payroll tax relief to eligible hotels. An assessment of the results, trading conditions and the points within the original MoU were to be reviewed quarterly so that consideration could be given to an extension of all deferrals and relief for as long as the economic situation required.

On August 20, 2010, the Government entered into a similar MoU with the Restaurant Division of the Bermuda Chamber of Commerce to provide payroll tax relief to qualifying restaurants for the employer portion of the payroll tax and later also a reduced payroll tax rate for employees.

On October 1, 2011, the Government announced a payroll tax relief programme for the Retail Sector which provided full relief from payroll tax to businesses that met the criteria of a Retail establishment.

The percentage relief provided under all three relief programmes has been scaled back as of April 1, 2015 and will continue to be scaled back over the next two fiscal years with the expectation that they will expire on March 31, 2018.

The Hotels Concession Act 2000 allows for the full or partial exemption from or deferral of payroll tax, land tax and hotel occupancy tax for hotels which undergo development deemed to be in the national economic interest of Bermuda as if it is determinable that the development is likely, among other considerations:

- to benefit the tourism industry and the economy;
- to create employment and entrepreneurial opportunities for Bermudians;
- to encourage local development; or
- to employ and train Bermudians.

The concessions are granted at the discretion of the Minister of Tourism Development and Transport with the written agreement of the Minister of Finance for those hotels that apply for the concessions.

The concessions afforded to the hotels are non-refundable and in instances where the payroll tax is deemed null and void due to the MoU, the concessions remain as a contra revenue amount to be applied against any future payroll tax incurred by those hotels.

The Government is obligated to recognize the effect of the concessions when payroll tax is actually incurred unless they are dismissed by the Minister of Finance. No liability has been admitted and no provision for collectability is included in the financial statements.

Hotel concessions are foregone revenue and reduce taxes otherwise owing by the hotels in the year the taxes are due.

The total of the hotel concessions granted as at March 31, 2015 is \$3,322,234 (2014 - \$3,246,029) which may be applied against any future payroll tax or hotel occupancy tax incurred by the applicable hotels.

In addition to this amount, \$35,485,398 (2014 - \$23,812,384) is available for use but has not yet been granted by the Ministry of Tourism Development and Transport as per the terms and conditions of the individual orders.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

10. Contingent Liabilities (cont'd)

In March 2014, with an operative date of February 2015, a Resort Act which includes hotel concessions was tabled in the House of Assembly. This act was approved. The total value of concessions to be applied in the future against payroll, hotel occupancy and land taxes under this act cannot be determined at this time.

(e) Air Service Agreements

As at March 31, 2015, the Government has signed agreements with two commercial airlines whereby in consideration of providing regular scheduled air service to Bermuda, the Government commits to pay the airlines a calculated sum if there is a financial shortfall on the routes. The agreements vary in detail, but guarantee the airlines either a certain level of revenue or a specific level of profit on a particular route. Shortfalls occur when ticket revenues are insufficient to cover the cost of operating the routes, either due to insufficient passenger numbers or discounted tickets to attract passengers.

The estimated liability for Air Service Agreements as at March 31, 2015 is \$1,181,006 (2014 - \$2,726,636). In accordance with the agreements, Government established and delivered to one commercial airline an irrevocable Letter of Credit (“LOC”) issued by HSBC Bank of Bermuda Ltd. (“HSBC”), for US\$2,000,000.

(f) America’s Cup Related Concessions

In February 2015, the Minister of Economic Development tabled the America’s Cup Act 2015 in the House of Assembly. This Act was approved which resulted in a number of concessions and exemptions from legislative requirements that would otherwise apply to the America’s Cup Event Authority LLC, the Team, their designated commercial partners and the Regatta Officials. The concessions include relief from certain taxes and fees in the areas of advertising, air navigation, broadcasting and electronic communications, customs duties, employment, vehicle permits and licensing, marine vessel port dues, registration and mooring fees, and pilotage. The concessions in this Act cannot be determined as they are not capped.

11. Non-Contractual Operational Obligations

The Government has ongoing obligations to fund a variety of programs for public welfare including health, education, social services, protection of persons and properties, and management of natural resources. The following is an analysis of the future, non-contractual operational obligations:

11. Non-Contractual Operational Obligations (cont'd)

| | 2015 |
|--------------------------------------|---------------------------|
| | \$ |
| 2016 | 152,256,538 |
| 2017 | 149,789,837 |
| 2018 | 147,906,000 |
| 2019 | 871,000 |
| 2020 | 630,000 |
| 2021 and subsequent | - |
| Total Future Operational Obligations | <u><u>451,453,375</u></u> |

12. Contractual Obligations

(a) Capital Leases

The average period of capitalized leased office machines is 3 years. Leases are capitalized based on the discounted rate of 6.04% and amortized on a straight-line basis over the period of the lease.

The following is an analysis of the leases:

| | 2015 | 2014 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Present value of lease cost | 5,014,501 | 4,879,101 |
| Less: Accumulated amortization | <u>(4,311,253)</u> | <u>(4,108,677)</u> |
| Present value of lease obligations (Schedule 11) | <u><u>703,248</u></u> | <u><u>770,424</u></u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

12. Contractual Obligations (cont'd)

The following is a schedule of discounted future minimum lease payments under leases expiring up to March 31, 2019:

| | 2015 |
|------------------------------------|-----------------------|
| | \$ |
| 2016 | 193,814 |
| 2017 | 102,762 |
| 2018 | 30,185 |
| 2019 | - |
| Add: Discounted Amount | <u>376,487</u> |
| Present value of lease obligations | <u><u>703,248</u></u> |

(b) Contractual Obligations

The nature of Government activity results in some large multi-year contracts and agreements of various sizes and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts and agreements for the acquisition of goods and services or the provision of transfer payments are met.

The following is an analysis of estimated future expenditures related to these contractual obligations:

| | 2015 |
|-------------------------------|--------------------------|
| | \$ |
| 2016 | 26,783,741 |
| 2017 | 18,125,895 |
| 2018 | 17,965,331 |
| 2019 | 4,126,742 |
| 2020 | 4,933,882 |
| 2021 and subsequent | <u>2,672,545</u> |
| Total Contractual Obligations | <u><u>74,608,136</u></u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

12. Contractual Obligations (cont'd)

(c) Operating Leases

The Government rents premises under operating leases which expire at certain dates.

The following is an analysis of the future minimum operating lease payments:

| | 2015 |
|---|--------------------------|
| | \$ |
| 2016 | 8,932,099 |
| 2017 | 6,839,856 |
| 2018 | 5,697,618 |
| 2019 | 6,879,576 |
| 2020 | 2,591,176 |
| 2021 and subsequent | <u>17,289,910</u> |
| Total Future Minimum Operating Lease Payments | <u><u>48,230,235</u></u> |

13. Supplementary Estimates and Virements (Transfers)

Section 96(3) of the Bermuda Constitution Order 1968 allows for Supplementary Estimates in respect of any fiscal year if it is found that (a) the amount appropriated by the appropriation law for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by that law; or (b) moneys have been expended for any purpose in excess of the amount appropriated for that purpose by the appropriation law or for a purpose to which no amount has been appropriated by that law, a supplementary estimate, showing the sum required or spent, shall be laid before the House of Assembly. Section 96(4) of the Bermuda Constitution Order 1968 requires that a Supplementary Appropriation Bill be introduced into the Legislature as soon as practical after year end of the year that supplementary estimates have been necessary.

The Public Treasury (Administration and Payments) Amendment Act 2004 allows a Permanent Secretary or a Head of Department to transfer a part of a Department's approved budget to another Department within the same Ministry, subject to the consent of the Minister of Finance. Virements do not increase the overall appropriation amount but facilitate the redeployment of approved budget resources after the start of a financial year.

During the year \$22,783,749 (2014 - \$52,266,000) in Supplementary Estimates were approved and spent which consisted of \$17,907,149 (2014 - \$50,138,000) for current expenditure and \$4,876,600 (2014 - \$2,128,000) for capital expenditure.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

13. Supplementary Estimates and Virements (Transfers) **(cont'd)**

During the year \$15,393,642 (2014 - \$25,251,904) in virements were approved and transferred which consisted of \$4,558,488 (2014 - \$4,320,845) for current expenditure and \$10,835,154 (2014 - \$20,931,059) for capital expenditure.

Additional expenditures of \$2,607,702 (2014 - \$962,168) were incurred in excess of amounts appropriated by the Ministry and will require final approval, which consisted of \$2,606,021 (2014 - \$962,168) for current expenditure and \$1,681 (2014 - \$0) for capital expenditure.

Additional virements of \$8,353,602 (2014 - \$6,777,378) require final approval and transfer, which consisted of \$7,993,113 (2014 - \$4,088,716) for current expenditure and \$360,489 (2014 - \$2,688,662) for capital expenditure.

14. Related Party Transactions

(a) Funds

The Fund is related to the GEHI Fund, the CPF, the MMLPF, the Bermuda Department of Tourism North America Retirement Plan, the PSSF, the Confiscated Assets Fund, the GBSF, the Health Insurance Fund, the Mutual Re-insurance Fund, the FutureCare Fund and the Government Reserves Fund.

The financial activities of these funds are reported separately in each fund's financial statements. The Fund provides accounting and certain administrative services to these funds. These transactions are in the normal course of operations and are measured at the appropriate exchange amount. The other activities represent the net position of contributions payable to the funds and expenses paid out of the Fund on behalf of the funds. Schedules 3 and 3(a) display details of unpaid balances due from and due to the funds which have arisen from normal operating activities. The rate of interest accruing on the balances is 7% per annum.

(b) QUANGOs and Other Government-Related Organizations

The Fund is related to certain QUANGOs and other Government-related organizations. QUANGOs and other Government-related organizations are government businesses which have been established under their respective legislative incorporation acts.

The Fund enters into transactions with the QUANGOs and other Government-related organizations in the normal course of business which are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

14. Related Party Transactions (cont'd)

Schedules 3 and 3(a) include details of balances due from and due to these entities which have arisen from normal operating activities. During the year, no interest was charged and/or incurred from or to the Fund and the various QUANGOs and other Government-related organizations.

(i) Bermuda Monetary Authority (the “BMA”)

In accordance with Section 8 (3) of the Bermuda Monetary Authority Act 1969, the BMA pays the remaining portion of its net profit (historically 50%) to the Fund after contributions to the BMA General Reserve and the paid up capital of the Authority.

The BMA reported a net profit for the year ended December 31, 2014, and \$169,926 was transferred to the Fund.

(ii) Bermuda Land Development Company Limited (“BLDC”)

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Finance.

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Public Works.

(iii) Bermuda Housing Corporation (the “BHC”)

On July 12, 2011, the Government provided a letter of comfort to BNTB on behalf of BHC which states, “To the extent that the BHC operates programmes which do not break even, the Government appropriates annual grants which enable BHC to comply with its legislation.” The annual grant awarded for the year ended March 31, 2015 was \$7,440,000 (2014 - \$8,000,000).

(iv) WEDCO Guarantee

On April 24, 2012, the Minister of Finance consented to the borrowing of \$36 million by WEDCO from BNTB to facilitate the completion of the Infrastructure and Housing Project in Dockyard. The amount borrowed was subsequently reduced to \$25 million.

The Ministry of Finance further guarantees and will make good any default on the part of WEDCO in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to BNTB has been fully discharged.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

14. Related Party Transactions (cont'd)

(v) BHC Guarantee

BHC has a loan of \$36.7 million from BNTB, borrowed to finance the purchase of the units of phase three of the Grand Atlantic Housing Development (“Grand Atlantic”) and to repay the loans advanced by the bank for Grand Atlantic phases one and two.

The Ministry of Finance guaranteed to make good any default on the part of BHC in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by BHC until all indebtedness to BNTB has been fully discharged.

(vi) Regulatory Authority (the “RA”)

On January 28, 2013 the Regulatory Authority Act 2011 (the “RAA”) came into operation. Section 111 of the RAA committed the Government to make an initial payment of \$2 million as paid-up capital, which was to be used for purposes prescribed under the RAA. In 2013 the Government paid the RA \$1 million towards the paid-up capital. The \$1 million was paid with the intent that the RA would have funding until collecting sufficient revenues to cover operating expenses as per section 111 (b)(ii) of the RAA. The RA achieved operational independence within the Financial Year and it was deemed not necessary to provide further funding. The Government has fulfilled its financial obligations towards the establishment of the RA in accordance with the intent of the Act.

In accordance with Section 41 (1)(a) of the RAA, the RA will pay 50% of its net surplus to the Fund. The RA reported a net surplus for the year ended March 31, 2015. Government’s 50% portion of the net surplus for the year ended March 31, 2015 is \$173,000 (2014 - \$315,000).

(vii) ACBDA Limited (“ACBDA”)

On December 24, 2014 (date of inception), the Government purchased 100 common shares of ACBDA. The shares are valued at par \$1 each and are held in trust by the Minister of Education and Economic Development.

15. Bank Overdraft

As at March 31, 2015 the Government had no overdraft facilities in place.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

16. Change in Deferral of Revenue

The Government reviews estimates reported in the financial statements on an ongoing basis. This review indicated that certain revenues no longer qualify for deferral, as there was no remaining obligation of performance for the Government relating to these revenues. As a result, effective 1st April 2014, Government discontinued deferring revenues related to its Transport Control Department and Department of Civil Aviation operations to better reflect the business cycle. The effect of this change in estimate was to reduce 2015 deferred revenue by \$29,820,497 and increase 2015 Fees, Permits & Licenses revenue by \$29,820,497.

17. Subsequent Events

(a) Ferry Lease

On May 1, 2015, the Government commenced a lease agreement for a ferry to provide additional lift during the tourist season. The lease concluded on October 31, 2015. In accordance with the lease, Government established an irrevocable LOC, issued by HSBC. The LOC securing the lease had a balance of US\$750,000 and was terminated on October 31, 2015.

(b) WEDCO Guarantee

In June 2015, the Minister of Finance consented to the borrowing of \$39 million by WEDCO from BNTB to facilitate the completion of the Land Reclamation Project in Dockyard. This loan facility is for a term of six years.

The Ministry of Finance further guarantees and will make good any default on the part of WEDCO in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to BNTB has been fully discharged.

(c) Increase in Borrowing

On July 20, 2015, the Government entered into a Term Loan Agreement with BNTB for a loan facility of up to \$200 million expiring July 31, 2017. Interest is calculated at the Lender's published USD rate plus 1% and is payable monthly. The proceeds of this loan facility will be used to assist with Government's cash flow and deficit financing.

(d) Hotel Concessions

In August 2015, the Minister of Tourism Development and Transport tabled a Resort Act which included Hotel Concessions in the House of Assembly. This act was approved which resulted in an additional hotel concessions for 2015. The total value of concessions to be applied in the future against payroll and hotel occupancy taxes under this act is conservatively estimated to be \$20,000,000 over a period of ten years and is not capped. The land tax concession in this act cannot be determined as the structure does not exist and is not capped.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2015

17. Subsequent Events (cont'd)

In December 2015, the Minister of Tourism Development and Transport tabled a Hotel Concession Order in the House of Assembly. This order was approved which resulted in an additional Hotel Concession Order for 2015 over a period of two years. The total value of concessions to be applied in the future against payroll, hotel occupancy and land tax under this order is conservatively estimated to be \$900,000.

(e) Gaming Commission Loan

In August 2015, the Government issued an interest free loan to the Bermuda Casino Gaming Commission (the "BCGC") for \$3,760,000. The loan is for a term of three years and repayment is due at maturity. The purpose of the loan is to finance the development costs and related expenses associated with establishing the BCGC. The first payment of \$630,000 was made by Government on October 19, 2015.

(f) Additional Air Service Agreement

In September 2015, the Government signed an agreement with an additional commercial airline whereby in consideration of providing regular scheduled air service to Bermuda, the Government commits to pay the airline a calculated sum if there is a financial shortfall on the routes.

In accordance with this agreement, Government established and delivered an irrevocable LOC issued by BNTB, for US\$900,000.

(g) Morgan's Point Guarantee

Subsequent to March 31, 2015, the Minister of Finance provided irrevocable Guarantee Agreements to lenders, replacing the letter of comfort (see Note 10(vi)), providing certain credit facilities on behalf of MPL for use in the construction of a new hotel and condominium project at Morgan's Point to be branded and managed as a member of the Ritz Carlton hotel and residences brands. The guarantees provide that the Government cannot be legally required to fund more than \$165 million to repay the lenders if the borrowers are unable to perform their obligations to the lenders. The financing guaranteed is provided under separate groups of loans each maturing in five years with two 1 year options to extend.

18. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Government of Bermuda - Consolidated Fund
Schedule 1: Accounts Receivable
As at March 31

| | 2015 | 2014 |
|---|--------------------|--------------------|
| | Actual | Actual |
| | \$ | \$ |
| Office of the Tax Commissioner | 197,009,084 | 190,464,658 |
| Works & Engineering | 8,818,394 | 6,871,580 |
| Registrar of Companies | 8,139,506 | 7,654,265 |
| Fire Services | 5,054,760 | 4,423,467 |
| Judicial Department | 4,628,888 | 3,166,659 |
| Airport Operations | 3,696,844 | 3,879,134 |
| Customs | 3,430,238 | 4,267,786 |
| Accountant General | 3,200,888 | 3,188,719 |
| Post Office | 2,527,661 | 1,978,321 |
| Civil Aviation | 2,499,404 | 1,557,866 |
| Public Lands & Buildings | 2,328,746 | 448,176 |
| Department of Education | 2,008,054 | 1,578,478 |
| Department of Health | 1,343,349 | 1,159,606 |
| Ministry of Public Works HQ | 943,940 | 908,758 |
| Maritime Administration | 921,221 | 666,546 |
| Public Transportation | 736,365 | 494,432 |
| Office of the Auditor General | 724,350 | 31,900 |
| Environmental Protection | 429,499 | 65,435 |
| Marine & Ports | 350,201 | 164,449 |
| Telecommunications | 282,979 | 634,024 |
| Conservation Services | 151,147 | 167,607 |
| Department of Human Resources | 130,642 | 134,252 |
| Defence | 128,936 | 129,795 |
| Ministry of Tourism Dev. & Transport HQ | 116,420 | - |
| Ministry of Finance HQ | 111,327 | - |
| Police | 77,333 | 106,695 |
| Financial Assistance | 63,861 | 47,844 |
| Registry General | 51,620 | 67,171 |
| Transport Control Department | 40,471 | 208 |
| Ministry of Health & Environment HQ | 31,708 | 31,708 |
| Ministry of Environment & Planning HQ | 10,500 | 10,500 |
| Tourism | 9,589 | 9,589 |
| Department of Planning | 8,964 | 8,964 |
| Parks | 6,166 | 6,166 |
| Child & Family Services | 2,980 | 4,765 |
| Information Technology Office | 2,301 | 2,301 |
| Libraries | 1,947 | 6,004 |
| Attorney General's Chambers | 877 | 877 |
| Ministry of Legal Affairs HQ | 728 | 728 |
| Youth, Sport & Recreation | 180 | - |
| Parliamentary Registrar | 50 | 50 |
| Workforce Development | 38 | - |
| Department of Corrections | (209) | (209) |
| | 250,021,947 | 234,339,274 |
| Less: Provision for Doubtful Accounts | 109,924,661 | 97,714,049 |
| | 140,097,286 | 136,625,225 |

Government of Bermuda - Consolidated Fund
Schedule 2: Inventories for Consumption
As at March 31

| | 2015 | 2014 |
|----------------------------------|-------------------|------------|
| | Actual | Actual |
| | \$ | \$ |
| Public Transportation | 4,051,683 | 4,139,214 |
| Ministry of Public Works HQ | 3,151,170 | 4,981,817 |
| Works & Engineering | 2,674,279 | 2,931,238 |
| Marine & Ports | 2,471,003 | 2,764,585 |
| Police | 1,269,471 | 1,307,039 |
| Department of Education | 898,034 | 701,153 |
| Department of Corrections | 391,545 | 360,224 |
| Department of Health | 285,096 | 263,745 |
| Immigration | 261,284 | 409,248 |
| Public Lands & Buildings | 114,887 | 28,749 |
| Post Office | 79,657 | 18,031 |
| Conservation Services | 76,461 | 111,278 |
| Defence | 54,459 | 176,232 |
| | 15,779,029 | 18,192,553 |
| Less: Provision for Obsolescence | 1,990,030 | 1,713,552 |
| | 13,788,999 | 16,479,001 |

Government of Bermuda - Consolidated Fund
Schedule 3: Due From Government Funds and Agencies
As at March 31

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Health Insurance Funds | 24,605,455 | 20,415,167 |
| Regulatory Authority | 3,338,279 | 2,704,863 |
| Contributory Pension Fund | 3,153,326 | - |
| Bermuda Hospitals Board | 3,078,949 | 3,092,646 |
| Bermuda Monetary Authority | 1,239,020 | 877,594 |
| Golf Courses | 821,853 | 1,077,879 |
| Confiscated Assets Fund | 752,084 | 589,066 |
| West End Development Corporation | 323,314 | 374,609 |
| Government Reserves Fund | 268,490 | 168,490 |
| Bermuda College | 193,204 | 952,667 |
| Pembroke Parish Council | 99,852 | 99,852 |
| CedarBridge Academy | 99,660 | 179,917 |
| Bermuda Land Development Company | 94,321 | 773,515 |
| Bermuda Housing Corporation | 86,103 | 460,209 |
| Berkeley Institute | 38,816 | 17,281 |
| Bermuda Health Council | 30,632 | 28,207 |
| Bermuda Economic Development Corporation | 28,468 | 46,814 |
| Parish Councils | 17,809 | 24,042 |
| Pension Commission | 9,262 | 35,459 |
| Whitney Institute | 4,531 | 5,233 |
| St. George's Preparatory School | 1,723 | 1,691 |
| Unemployment Insurance Fund (Note 7) | - | 182,949 |
| Financial Intelligence Agency | - | 40,522 |
| Bermuda Housing Trust | - | 22,668 |
| National Sports Centre | - | 7,332 |
| Sandys Secondary Middle School | - | 4,011 |
| | 38,285,151 | 32,182,683 |
| Less: Provision for Doubtful Accounts | - | 8,969,970 |
| | 38,285,151 | 23,212,713 |

Government of Bermuda - Consolidated Fund
Schedule 3(a): Due to Government Funds and Agencies

| As at March 31 | 2015 | 2014 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Ministers and Members of the Legislature Pensions Fund (Note 9(b)) | 13,012,088 | 12,633,281 |
| Public Service Superannuation Fund (Note 9(b)) | 7,275,843 | 19,503,788 |
| Bermuda Hospitals Board | 1,123,793 | 11,482,952 |
| Department of Tourism North American Retirement Plan | 197,175 | 197,175 |
| Bermuda College | 70,149 | 1,672 |
| West End Development Corporation | 6,981 | 6,981 |
| Bermuda Land Development Company | 5,142 | 5,142 |
| Bermuda Economic Development Corporation | 3,800 | 3,800 |
| Golf Courses | 1,943 | 1,943 |
| Bermuda Housing Corporation | 400 | 400 |
| Contributory Pension Fund | - | 1,891,620 |
| | 21,697,314 | 45,728,754 |

Government of Bermuda - Consolidated Fund
Schedule 4: Long-Term Receivables
As at March 31

| | 2015 | 2014 |
|---|----------------|------------------|
| | Actual | Actual |
| | \$ | \$ |
| Student Loans and Teacher Training Awards | 522,375 | 798,893 |
| Customs Duty | 380,533 | 392,247 |
| | 902,908 | 1,191,140 |

Government of Bermuda - Consolidated Fund
Schedule 5: Accounts Payable and Accrued Liabilities

| As at March 31 | 2015 | 2014 |
|---|--------------------|--------------------|
| | Actual | Actual |
| | \$ | \$ |
| Base Lands Clean Up (Note 10(c)) | 36,820,519 | 44,078,555 |
| Department Trade Accounts | 36,417,032 | 31,642,236 |
| Interest on Debt | 25,617,116 | 27,927,929 |
| Deposits Held | 19,691,226 | 19,135,976 |
| Employees' Leave Entitlements | 18,378,103 | 17,943,246 |
| Teachers' Salaries & Leave Entitlements | 9,717,001 | 9,797,343 |
| Guarantee Payable to WEDCO (Note 10(a)(ii)) | 2,857,145 | 4,285,716 |
| Salaries, Wages and Benefits | 2,348,560 | 2,963,982 |
| Leases Payable | 326,811 | 420,838 |
| | 152,173,513 | 158,195,821 |

Government of Bermuda - Consolidated Fund
Schedule 6: Deferred Revenue
As at March 31

| | 2015 | 2014 |
|--|------------------|------------|
| | Actual | Actual |
| | \$ | \$ |
| Immigration | 7,103,923 | 5,397,244 |
| Civil Aviation (Note 16) | 929,585 | 12,103,870 |
| Post Office | 302,392 | 309,379 |
| Environmental Protection | 118,790 | 225,577 |
| Department of Health | 106,507 | 82,794 |
| Public Lands & Buildings | 90,816 | 90,816 |
| Parks | 65,352 | 65,352 |
| Youth, Sport & Recreation | 13,256 | 28,051 |
| Office of the Tax Commissioner | 5,000 | 5,000 |
| Transport Control Department (Note 16) | - | 17,716,627 |
| Tourism | - | 29,839 |
| | 8,735,621 | 36,054,549 |

Government of Bermuda - Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund
As at March 31

| | 2015 | 2014 |
|--|--------------------|-------------|
| | Actual | Actual |
| | \$ | \$ |
| Senior Notes Due 2024 - US\$ | | |
| Issue Date: August 6, 2013 | | |
| Interest: 4.854% payable semi-annually | | |
| February 6 and August 6 | | |
| Notes Due: February 6, 2024 | 750,000,000 | 750,000,000 |
| Senior Notes Due 2023 - BMD\$ | | |
| Issue Date: December 16, 2013 | | |
| Interest: 4.75% payable semi-annually | | |
| June 16 and December 16 | | |
| Notes Due: December 16, 2023 | 50,000,000 | 50,000,000 |
| Senior Notes Due 2023 - US\$ | | |
| Issue Date: July 3, 2012 | | |
| Interest: 4.138% payable semi-annually | | |
| January 3 and July 3 | | |
| Notes Due: January 3, 2023 | 475,000,000 | 475,000,000 |
| Senior Notes Due 2020 - US\$ | | |
| Issue Date: July 13, 2010 | | |
| Interest: 5.60% payable semi-annually | | |
| January 20 and July 20 | | |
| Notes Due: July 20, 2020 | 500,000,000 | 500,000,000 |
| Senior Notes Due 2019 - US\$ | | |
| Issue Date: November 10, 2009 | | |
| Interest: 5.93% payable semi-annually | | |
| November 10 and May 10 | | |
| Notes Due: November 10, 2019 | 80,000,000 | 80,000,000 |
| Senior Notes Due 2016 - US\$ | | |
| Issue Date: November 10, 2009 | | |
| Interest: 5.27% payable semi-annually | | |
| November 10 and May 10 | | |
| Notes Due: November 10, 2016 | 60,000,000 | 60,000,000 |
| Senior Notes Due 2019 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 7.38% payable semi-annually | | |
| May 21 and November 21 | | |
| Notes Due: May 21, 2019 | 100,000,000 | 100,000,000 |

Government of Bermuda - Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund (cont'd)
As at March 31

| | 2015 | 2014 |
|--|----------------------|---------------|
| | Actual | Actual |
| | \$ | \$ |
| Senior Notes Due 2016 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 6.98% payable semi-annually May 21 and November 21 | | |
| Notes Due: May 21, 2016 | 30,000,000 | 30,000,000 |
| Senior Notes Due 2014 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 6.55% payable semi-annually May 21 and November 21 | | |
| Notes Due: May 21, 2014 | - | 45,000,000 |
| Senior Notes Due 2022 - US\$ | | |
| Issue Date: December 4, 2007 | | |
| Interest: 5.73% payable semi-annually June 4 and December 4 | | |
| Notes Due: December 4, 2022 | 140,000,000 | 140,000,000 |
| Senior Notes Due 2014 - US\$ | | |
| Issue Date: June 10, 2004 | | |
| Interest: 5.39% payable semi-annually June 10 and December 10 | | |
| Notes Due: June 10, 2014 | - | 75,000,000 |
| | 2,185,000,000 | 2,305,000,000 |
| Less: Sinking Fund (Note 5) | 135,347,558 | 536,557,729 |
| | 2,049,652,442 | 1,768,442,271 |

Government of Bermuda - Consolidated Fund
Schedule 8: Revenue By Type
For the year ended March 31

| | 2015 Original Estimates | 2015 Actual | 2014 Actual |
|---------------------------------------|-------------------------------|--------------------|----------------|
| | \$ | \$ | \$ |
| Taxes & Duties | | | |
| Payroll Tax | 332,000,000 | 326,859,202 | 330,848,121 |
| Customs Duty | 200,660,000 | 171,469,468 | 174,951,259 |
| Land Tax | 59,000,000 | 61,101,087 | 60,476,977 |
| Passenger Tax | 35,784,000 | 32,908,276 | 33,921,396 |
| | 627,444,000 | 592,338,033 | 600,197,753 |
| Other Taxes & Duties | | | |
| Stamp Duty | 20,500,000 | 23,884,966 | 21,379,248 |
| Foreign Currency Purchase Tax | 21,500,000 | 20,069,213 | 20,823,253 |
| Hotel Occupancy Tax | 10,050,000 | 9,186,517 | 9,195,261 |
| Non-Bermudian Land Acquisition Tax | 10,008,000 | 5,492,550 | 4,937,639 |
| Corporate Services Tax | 4,500,000 | 4,444,107 | 4,686,562 |
| Betting Tax | 1,600,000 | 1,668,325 | 1,540,106 |
| Timesharing Tax | 105,000 | 163,759 | 189,293 |
| | 68,263,000 | 64,909,437 | 62,751,362 |
| Total Taxes & Duties | 695,707,000 | 657,247,470 | 662,949,115 |
| Fees, Permits & Licences | | | |
| International Companies | 56,079,000 | 62,775,686 | 62,473,501 |
| Vehicle Licences & Registration | 28,156,000 | 46,151,930 | 26,664,805 |
| Registration of Aircraft | 24,497,000 | 38,400,391 | 26,569,005 |
| Immigration | 10,637,000 | 12,281,347 | 11,887,007 |
| Telecommunications | 10,360,000 | 10,594,610 | 10,031,429 |
| Air Terminal & Aviation | 10,599,000 | 9,914,899 | 10,589,960 |
| Bus Transportation | 8,300,000 | 7,628,244 | 7,244,714 |
| Registration of Shipping | 4,982,000 | 5,332,168 | 5,139,326 |
| Postal Services | 4,757,000 | 4,222,293 | 4,552,756 |
| Solid Waste Services | 3,500,000 | 3,661,520 | 4,097,763 |
| Water | 4,462,000 | 3,574,926 | 3,555,830 |
| Rentals | 2,059,000 | 2,826,493 | 2,111,306 |
| Local Companies | 2,770,000 | 2,666,328 | 2,808,526 |
| Services to Seaborne Shipping | 2,712,000 | 2,632,984 | 2,612,825 |
| Other Customs Fees & Charges | 1,999,000 | 2,160,975 | 2,073,025 |
| Trade and Service Mark | 1,731,000 | 1,770,126 | 1,751,791 |
| Ferry Services | 1,852,000 | 1,484,298 | 1,921,159 |
| Planning Fees and Searches | 685,000 | 1,100,029 | 868,546 |
| Wharfage | 900,000 | 638,918 | 8,679,779 |
| Companies Licences | 582,000 | 574,032 | 703,946 |
| Liquor Licences | 180,000 | 310,945 | 371,058 |
| Plant Production and Marketing Centre | 274,000 | 172,119 | 330,431 |
| Insurance Fees | - | - | 55 |
| | 182,073,000 | 220,875,261 | 197,038,543 |
| Other Revenue | | | |
| Other | 15,588,000 | 20,095,470 | 17,770,289 |
| Fines & Forfeitures | 3,591,000 | 2,969,712 | 2,711,329 |
| | 19,179,000 | 23,065,182 | 20,481,618 |
| Investment Income | 4,750,000 | 2,553,694 | 3,445,828 |
| | 23,929,000 | 25,618,876 | 23,927,446 |
| TOTAL REVENUE | 901,709,000 | 903,741,607 | 883,915,104 |

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department
For the year ended March 31

| | 2015 Original Estimates | 2015 Actual | 2014 Actual |
|---|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 05 Office of the Auditor General | 911,000 | 728,033 | 682,508 |
| 63 Parliamentary Registrar | 300,000 | 324,253 | 332,551 |
| 01 Governor & Staff | - | 1,200 | 1,206 |
| 92 Internal Audit | - | 583 | 602 |
| 02 Legislature | - | - | 2,850 |
| | 1,211,000 | 1,054,069 | 1,019,717 |
| Cabinet Office Departments | | | |
| 96 Sustainable Development | - | 4,358 | - |
| 26 Department of Human Resources | - | 1,170 | 685 |
| 14 Department of Statistics | - | 274 | 81 |
| 09 Cabinet Office | - | 120 | - |
| | - | 5,922 | 766 |
| Ministry of Tourism Development & Transport | | | |
| 34 Transport Control Department (Note 16) | 28,276,000 | 46,272,470 | 26,783,419 |
| 57 Civil Aviation (Note 16) | 24,546,000 | 38,436,931 | 26,626,888 |
| 31 Airport Operations | 10,719,000 | 10,030,149 | 10,707,671 |
| 35 Public Transportation | 8,325,000 | 7,672,483 | 7,282,058 |
| 30 Marine & Ports | 5,872,000 | 5,506,344 | 5,565,563 |
| 73 Maritime Administration | 4,231,000 | 5,409,116 | 5,149,790 |
| 48 Ministry of Tourism Dev. & Transport HQ | - | 647,000 | 38,194 |
| 33 Tourism | - | 59,768 | 35,851 |
| | 81,969,000 | 114,034,261 | 82,189,434 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 6,801,000 | 8,255,594 | 5,135,906 |
| 87 Ministry of Legal Affairs HQ | - | 5,626 | 728 |
| 04 Attorney General's Chambers | - | 2,775 | 968 |
| | 6,801,000 | 8,263,995 | 5,137,602 |
| Ministry of Finance | | | |
| 38 Office of the Tax Commissioner | 482,538,000 | 475,680,586 | 481,393,449 |
| 10 Ministry of Finance HQ | 2,180,000 | 3,558,103 | 2,134,685 |
| 11 Accountant General | 5,500,000 | 2,736,077 | 4,640,073 |
| 28 Social Insurance | - | - | 1,968 |
| | 490,218,000 | 481,974,766 | 488,170,175 |
| Ministry of Education & Economic Development | | | |
| 39 Registrar of Companies | 60,004,000 | 66,593,549 | 66,546,616 |
| 46 Telecommunications | 10,360,000 | 10,799,495 | 10,303,960 |
| 17 Department of Education | 230,000 | 336,533 | 188,117 |
| 95 Min. of Education & Economic Dev. HQ | - | 13,758 | 153 |
| | 70,594,000 | 77,743,335 | 77,038,846 |
| Ministry of Health & Environment | | | |
| 22 Department of Health | 3,322,000 | 3,486,094 | 3,216,808 |
| 72 Environmental Protection | 892,000 | 1,437,024 | 918,700 |
| 21 Ministry of Health & Environment HQ | 20,000 | 89,393 | 23,247 |
| 91 Health Insurance | - | 10,471 | 3,600 |
| | 4,234,000 | 5,022,982 | 4,162,355 |

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department (cont'd)
For the year ended March 31

| | 2015 Original Estimates | 2015 Actual | 2014 Actual |
|--|-------------------------------|--------------------|----------------|
| | \$ | \$ | \$ |
| Ministry of Environment & Planning | | | |
| 50 Ministry of Environment & Planning HQ | - | - | 9,315 |
| | - | - | 9,315 |
| Ministry of Community, Culture & Sports | | | |
| 20 Youth, Sport & Recreation | 706,000 | 706,726 | 749,483 |
| 52 Community & Cultural Affairs | 136,000 | 142,956 | 146,741 |
| 23 Child & Family Services | 77,000 | 87,175 | 101,506 |
| 18 Libraries | 16,000 | 12,123 | 22,605 |
| 19 Archives | 4,000 | 3,352 | 1,495 |
| | 939,000 | 952,332 | 1,021,830 |
| Ministry of National Security | | | |
| 12 Customs | 204,120,000 | 174,820,682 | 186,336,894 |
| 13 Post Office | 4,684,000 | 4,174,936 | 4,485,974 |
| 45 Fire Services | 8,000 | 651,001 | 705,989 |
| 07 Police | 350,000 | 521,390 | 541,001 |
| 06 Defence | - | 3,266 | 11,190 |
| 25 Department of Corrections | - | 200 | - |
| 88 National Drug Control | 12,000 | - | 17,395 |
| 83 Ministry of National Security HQ | - | - | 6,906 |
| | 209,174,000 | 180,171,475 | 192,105,349 |
| Ministry of Home Affairs | | | |
| 27 Immigration | 20,644,000 | 17,773,776 | 16,824,646 |
| 29 Registry General | 1,960,000 | 1,987,172 | 2,005,919 |
| 32 Department of Planning | 799,000 | 1,311,520 | 1,067,286 |
| 93 Ministry of Home Affairs HQ | 7,000 | 17,290 | - |
| 60 Workforce Development | 20,000 | 502 | 696 |
| 42 Rent Commissioner | 1,000 | 38 | 72 |
| | 23,431,000 | 21,090,298 | 19,898,619 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 9,474,000 | 10,276,471 | 10,692,174 |
| 81 Public Lands & Buildings | 1,880,000 | 2,513,369 | 1,833,682 |
| 69 Conservation Services | 250,000 | 385,350 | 465,183 |
| 68 Parks | 254,000 | 222,105 | 201,569 |
| 36 Ministry of Public Works HQ | 136,000 | 28,897 | (31,917) |
| 97 Land, Surveys & Registration | 1,144,000 | 1,450 | 360 |
| 49 Land Valuation | - | 530 | 45 |
| | 13,138,000 | 13,428,172 | 13,161,096 |
| TOTAL REVENUE | 901,709,000 | | |

Government of Bermuda - Consolidated Fund
Schedule 9(a): Interdepartmental Revenue By Ministry / Department
For the year ended March 31

| | 2015 Interdepartmental Revenue | 2015 Gross Revenue Actual | 2015 Net Revenue |
|---|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 05 Office of the Auditor General | - | 728,033 | 728,033 |
| 63 Parliamentary Registrar | - | 324,253 | 324,253 |
| 01 Governor & Staff | - | 1,200 | 1,200 |
| 92 Internal Audit | - | 583 | 583 |
| | - | 1,054,069 | 1,054,069 |
| Cabinet Office Departments | | | |
| 96 Sustainable Development | - | 4,358 | 4,358 |
| 26 Department of Human Resources | - | 1,170 | 1,170 |
| 14 Department of Statistics | - | 274 | 274 |
| 09 Cabinet Office | - | 120 | 120 |
| | - | 5,922 | 5,922 |
| Ministry of Tourism Development & Transport | | | |
| 34 Transport Control Department | - | 46,272,470 | 46,272,470 |
| 57 Civil Aviation | - | 38,436,931 | 38,436,931 |
| 31 Airport Operations | 63,123 | 10,030,149 | 9,967,026 |
| 35 Public Transportation | 326,838 | 7,672,483 | 7,345,645 |
| 73 Maritime Administration | - | 5,409,116 | 5,409,116 |
| 30 Marine & Ports | 14,702 | 5,506,344 | 5,491,642 |
| 48 Ministry of Tourism Dev. & Transport HQ | - | 647,000 | 647,000 |
| 33 Tourism | - | 59,768 | 59,768 |
| | 404,663 | 114,034,261 | 113,629,598 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 1,956 | 8,255,594 | 8,253,638 |
| 04 Attorney General's Chambers | - | 2,775 | 2,775 |
| 87 Ministry of Legal Affairs HQ | - | 5,626 | 5,626 |
| | 1,956 | 8,263,995 | 8,262,039 |
| Ministry of Finance | | | |
| 38 Office of the Tax Commissioner | 58,948 | 475,680,586 | 475,621,638 |
| 10 Ministry of Finance HQ | - | 3,558,103 | 3,558,103 |
| 11 Accountant General | 6,552 | 2,736,077 | 2,729,525 |
| | 65,500 | 481,974,766 | 481,909,266 |
| Ministry of Education & Economic Development | | | |
| 39 Registrar of Companies | - | 66,593,549 | 66,593,549 |
| 46 Telecommunications | - | 10,799,495 | 10,799,495 |
| 17 Department of Education | 872 | 336,533 | 335,661 |
| 95 Ministry of Education & Economic Dev. HQ | - | 13,758 | 13,758 |
| | 872 | 77,743,335 | 77,742,463 |
| Ministry of Health & Environment | | | |
| 22 Department of Health | 253,380 | 3,486,094 | 3,232,714 |
| 72 Environmental Protection | 3,724 | 1,437,024 | 1,433,300 |
| 21 Ministry of Health & Environment HQ | - | 89,393 | 89,393 |
| 91 Health Insurance | - | 10,471 | 10,471 |
| | 257,104 | 5,022,982 | 4,765,878 |

Government of Bermuda - Consolidated Fund
Schedule 9(a): Interdepartmental Revenue By Ministry / Department (cont'd)
For the year ended March 31

| | 2015 Interdepartmental Revenue | 2015 Gross Revenue Actual | 2015 Net Revenue |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Ministry of Community, Culture & Sports | | | |
| 20 Youth, Sport & Recreation | 870 | 706,726 | 705,856 |
| 52 Community & Cultural Affairs | 50 | 142,956 | 142,906 |
| 23 Child & Family Services | - | 87,175 | 87,175 |
| 18 Libraries | - | 12,123 | 12,123 |
| 19 Archives | 64 | 3,352 | 3,288 |
| | 984 | 952,332 | 951,348 |
| Ministry of National Security | | | |
| 12 Customs | 1,872,138 | 174,820,682 | 172,948,544 |
| 13 Post Office | 16,200 | 4,174,936 | 4,158,736 |
| 45 Fire Services | 5,685 | 651,001 | 645,316 |
| 07 Police | 9,239 | 521,390 | 512,151 |
| 06 Defence | - | 3,266 | 3,266 |
| 25 Department of Corrections | - | 200 | 200 |
| | 1,903,262 | 180,171,475 | 178,268,213 |
| Ministry of Home Affairs | | | |
| 27 Immigration | 3,109 | 17,773,776 | 17,770,667 |
| 29 Registry General | 3,089 | 1,987,172 | 1,984,083 |
| 32 Department of Planning | 12,053 | 1,311,520 | 1,299,467 |
| 93 Ministry of Home Affairs HQ | - | 17,290 | 17,290 |
| 60 Workforce Development | - | 502 | 502 |
| 42 Rent Commissioner | - | 38 | 38 |
| | 18,251 | 21,090,298 | 21,072,047 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 610,988 | 10,276,471 | 9,665,483 |
| 81 Public Lands & Buildings | 104,541 | 2,513,369 | 2,408,828 |
| 69 Conservation Services | - | 385,350 | 385,350 |
| 68 Parks | - | 222,105 | 222,105 |
| 36 Ministry of Public Works HQ | 21,000 | 28,897 | 7,897 |
| 97 Land, Surveys & Registration | 85 | 1,450 | 1,365 |
| 49 Land Valuation | - | 530 | 530 |
| | 736,614 | 13,428,172 | 12,691,558 |
| TOTAL REVENUE | 3,389,206 | 903,741,607 | 900,352,401 |

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program
For the year ended March 31

| | 2015 Capital Development | 2015 Capital Acquisition | 2015 Current Expenses | 2015 Total Actual | 2014 Total Actual |
|---|--------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Economic Development | | | | | |
| 11 Accountant General | - | 23,908 | 77,769,640 | 77,793,548 | 80,830,265 |
| 82 Works & Engineering | 1,911,765 | - | 48,966,211 | 50,877,976 | 54,889,743 |
| 81 Public Lands & Buildings | 505,452 | - | 37,241,211 | 37,746,663 | 42,350,472 |
| 31 Airport Operations | 1,742,459 | 13,251 | 23,842,956 | 25,598,666 | 25,605,625 |
| 48 Ministry of Tourism Dev. & Transport HQ | 36,507 | 28,300 | 26,874,508 | 26,939,315 | 1,014,256 |
| 35 Public Transportation | - | 821,672 | 23,861,347 | 24,683,019 | 24,313,135 |
| 30 Marine & Ports | - | 210,146 | 22,769,805 | 22,979,951 | 24,623,999 |
| 12 Customs | - | - | 17,923,384 | 17,923,384 | 20,922,648 |
| 36 Ministry of Public Works HQ | 1,046,851 | 377,527 | 13,509,281 | 14,933,659 | 15,874,366 |
| 95 Ministry of Education & Economic Dev. HQ | 3,076,600 | - | 9,240,775 | 12,317,375 | 7,048,279 |
| 13 Post Office | - | 13,382 | 11,432,246 | 11,445,628 | 12,840,645 |
| 43 Information Technology Office | - | 1,390,766 | 7,945,112 | 9,335,878 | 9,292,305 |
| 57 Civil Aviation | - | 40,112 | 8,136,680 | 8,176,792 | 7,872,254 |
| 38 Office of the Tax Commissioner | - | 3,678 | 7,164,113 | 7,167,791 | 3,949,626 |
| 34 Transport Control Department | - | 2,316 | 6,309,388 | 6,311,704 | 6,444,787 |
| 10 Ministry of Finance HQ | - | 30,000 | 5,459,829 | 5,489,829 | 4,986,317 |
| 93 Ministry of Home Affairs HQ | - | - | 4,054,300 | 4,054,300 | 6,666,730 |
| 05 Office of the Auditor General | - | 1,127 | 3,805,246 | 3,806,373 | 3,900,260 |
| 39 Registrar of Companies | - | 234,467 | 3,406,294 | 3,640,761 | 4,220,579 |
| 32 Department of Planning | - | 16,904 | 2,879,444 | 2,896,348 | 3,336,703 |
| 73 Maritime Administration | - | - | 2,844,703 | 2,844,703 | 2,304,649 |
| 33 Tourism ¹ | - | - | - | - | 31,390,995 |
| 29 Registry General | - | - | 1,633,886 | 1,633,886 | 1,686,449 |
| 84 E-Government | - | 129,975 | 1,115,757 | 1,245,732 | 1,004,999 |
| 97 Land, Surveys & Registration | - | - | 1,322,021 | 1,322,021 | 1,260,762 |
| 89 Energy | - | - | 789,920 | 789,920 | 730,402 |
| 46 Telecommunications | - | - | 785,498 | 785,498 | 650,495 |
| 80 Project Management & Procurement | 382 | - | 764,593 | 764,975 | 519,708 |
| 67 E-Commerce | - | - | 749,303 | 749,303 | 583,418 |
| 49 Land Valuation | - | 325 | 715,964 | 716,289 | 983,216 |
| 96 Sustainable Development | - | - | 373,295 | 373,295 | 479,990 |
| 94 Ministry of Economy, Trade & Industry HQ | - | - | 943 | 943 | - |
| | 8,320,016 | 3,337,856 | 373,687,653 | 385,345,525 | 402,578,077 |
| Health | | | | | |
| 24 Hospitals | 1,120,000 | - | 147,862,105 | 148,982,105 | 153,445,516 |
| 22 Department of Health | 19,931 | 2,083 | 25,703,827 | 25,725,841 | 27,456,303 |
| 21 Ministry of Health & Environment HQ | - | - | 14,475,399 | 14,475,399 | 13,348,181 |
| 28 Social Insurance | - | - | 7,292,441 | 7,292,441 | 7,144,051 |
| 91 Health Insurance | - | - | 743,750 | 743,750 | 10,381,093 |
| | 1,139,931 | 2,083 | 196,077,522 | 197,219,536 | 211,775,144 |
| National Security | | | | | |
| 07 Police | 65,096 | 376,778 | 68,092,026 | 68,533,900 | 68,366,201 |
| 25 Department of Corrections | 284,160 | 173,835 | 24,515,671 | 24,973,666 | 25,561,043 |
| 45 Fire Services | - | - | 14,399,271 | 14,399,271 | 14,412,240 |
| 06 Defence | 121,309 | 6,555 | 8,123,375 | 8,251,239 | 7,877,025 |
| 03 Judicial Department | - | 16,405 | 8,051,622 | 8,068,027 | 8,281,649 |
| 87 Ministry of Legal Affairs HQ | - | 13,906 | 7,073,864 | 7,087,770 | 8,074,203 |
| 27 Immigration | - | 44,927 | 4,981,895 | 5,026,822 | 4,453,050 |
| 04 Attorney General's Chambers | - | 645 | 3,914,379 | 3,915,024 | 3,768,457 |
| 74 Department of Court Services | - | - | 3,735,854 | 3,735,854 | 3,561,613 |
| 75 Department of Public Prosecutions | - | 1,759 | 2,687,105 | 2,688,864 | 2,812,599 |
| 83 Ministry of National Security HQ | 48,450 | - | 1,437,506 | 1,485,956 | 1,097,798 |
| | 519,015 | 634,810 | 147,012,568 | 148,166,393 | 148,265,878 |
| Education | | | | | |
| 17 Department of Education | 346,742 | 564,842 | 112,203,371 | 113,114,955 | 115,911,423 |
| 41 Bermuda College | - | - | 16,850,670 | 16,850,670 | 18,119,000 |
| 60 Workforce Development | - | 15,171 | 4,341,981 | 4,357,152 | 5,358,959 |
| 16 Ministry of Education HQ | - | - | - | - | 2,294,396 |
| | 346,742 | 580,013 | 133,396,022 | 134,322,777 | 141,683,778 |

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program (cont'd)
For the year ended March 31

| | 2015 Capital Development | 2015 Capital Acquisition | 2015 Current Expenses | 2015 Total Actual | 2014 Total Actual |
|--|--------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Interest on Debt | | | | | |
| 58 Interest on Debt | - | - | 113,222,504 | 113,222,504 | 109,244,778 |
| | - | - | 113,222,504 | 113,222,504 | 109,244,778 |
| Social Services & Assistance | | | | | |
| 55 Financial Assistance | - | - | 51,964,024 | 51,964,024 | 48,458,980 |
| 23 Child & Family Services | - | 20,117 | 15,531,276 | 15,551,393 | 15,677,047 |
| 53 Bermuda Housing Corporation | - | - | 7,440,000 | 7,440,000 | 8,000,000 |
| 88 National Drug Control | 90 | - | 5,062,561 | 5,062,651 | 5,036,021 |
| 71 Ministry of Community, Culture and Sports HQ | - | 1,400 | 2,687,889 | 2,689,289 | 2,233,705 |
| 52 Community & Cultural Affairs | - | - | 2,624,726 | 2,624,726 | 3,143,440 |
| 42 Rent Commissioner | - | - | 454,744 | 454,744 | 529,051 |
| | 90 | 21,517 | 85,765,220 | 85,786,827 | 83,078,244 |
| Other General Government Services | | | | | |
| 20 Youth, Sport & Recreation | 1,150,000 | 650 | 10,524,818 | 11,675,468 | 13,265,346 |
| 68 Parks | 75,853 | 5,611 | 9,366,799 | 9,448,263 | 11,157,762 |
| 09 Cabinet Office | - | - | 6,075,981 | 6,075,981 | 6,808,293 |
| 69 Conservation Services | 155,585 | 200 | 4,509,039 | 4,664,824 | 4,980,303 |
| 02 Legislature | 38,459 | - | 4,785,294 | 4,823,753 | 5,148,071 |
| 26 Department of Human Resources | - | - | 3,811,689 | 3,811,689 | 4,029,595 |
| 72 Environmental Protection | 64,830 | - | 3,392,060 | 3,456,890 | 3,743,172 |
| 14 Department of Statistics | - | - | 2,552,001 | 2,552,001 | 2,716,680 |
| 51 Department of Communication & Information | - | - | 2,295,324 | 2,295,324 | 2,447,769 |
| 18 Libraries | - | 7,125 | 2,123,733 | 2,130,858 | 2,247,304 |
| 56 Human Affairs | - | 3,346 | 1,989,480 | 1,992,826 | 2,142,951 |
| 01 Governor & Staff | - | - | 1,485,179 | 1,485,179 | 1,455,585 |
| 92 Internal Audit | - | - | 1,481,236 | 1,481,236 | 1,356,755 |
| 19 Archives | - | - | 1,279,509 | 1,279,509 | 1,191,611 |
| 63 Parliamentary Registrar | - | 5,246 | 945,714 | 950,960 | 837,166 |
| 85 Ombudsman's Office | - | - | 755,711 | 755,711 | 785,933 |
| 50 Ministry of Environment & Planning HQ | - | - | - | - | 551,911 |
| | 1,484,727 | 22,178 | 57,373,567 | 58,880,472 | 64,866,207 |
| Pensions and Other Employee Future Benefits | | | | | |
| Gain on Benefits Plans Amendments | - | - | - | - | (214,091,800) |
| Pensions and Retirement Benefits Expense | - | - | 104,764,248 | 104,764,248 | 120,532,461 |
| | - | - | 104,764,248 | 104,764,248 | (93,559,339) |
| TOTAL EXPENSES | 11,810,521 | 4,598,457 | 1,211,299,304 | 1,227,708,282 | 1,067,932,767 |

¹ Effective April 1, 2014, the Department of Tourism was replaced by the Bermuda Tourism Authority.

Government of Bermuda - Consolidated Fund
Schedule 10(a): Current Expenses By Type
For the year ended March 31

| | 2015 Original Estimates | 2015 Actual | 2014 Actual |
|---|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Employees | | | |
| Salaries | 306,171,000 | 301,987,772 | 309,981,244 |
| Wages | 72,313,000 | 81,259,953 | 83,381,635 |
| Employer Overhead | 72,950,000 | 31,777,029 | 31,369,492 |
| Other Personnel Costs | 6,939,000 | 5,460,322 | 5,644,886 |
| Training | 6,678,000 | 2,104,302 | 2,491,282 |
| Compensated Absences | - | 129,173 | 743,102 |
| Gain on Benefits Plans Amendments (Note 9(g)) | - | - | (214,091,800) |
| Pensions and Retirement Benefits Expense | - | 144,332,474 | 161,184,785 |
| | 465,051,000 | 567,051,025 | 380,704,626 |
| Operations | | | |
| Grants & Contributions | 291,051,000 | 296,390,380 | 286,962,034 |
| Interest on Debt | 113,735,000 | 113,222,504 | 109,704,201 |
| Professional Services | 68,860,000 | 68,783,923 | 81,469,122 |
| Amortization (Note 4(b)(v)) | - | 53,692,780 | 54,677,285 |
| Materials & Supplies | 25,006,000 | 22,654,861 | 19,797,144 |
| Repairs & Maintenance | 21,754,000 | 18,341,942 | 16,908,319 |
| Energy | 21,264,000 | 18,063,501 | 20,119,926 |
| Rentals | 17,013,000 | 15,507,099 | 16,695,815 |
| Insurance | 9,998,000 | 9,020,404 | 11,984,402 |
| Bad Debts | - | 6,121,942 | 4,122,070 |
| Communications | 8,745,000 | 7,170,781 | 8,404,455 |
| Transport | 4,489,000 | 4,757,113 | 4,534,011 |
| Advertising & Promotion | 2,564,000 | 3,554,358 | 16,967,815 |
| Travel | 4,079,000 | 2,818,312 | 3,311,420 |
| Clothing & Uniforms | 1,470,000 | 1,702,949 | 1,858,041 |
| Bank Charges & Commissions | - | 1,361,749 | 1,362,238 |
| Other (Note 10(c)) | 3,595,000 | 712,862 | 12,391,793 |
| Equipment | 664,000 | 370,819 | 522,285 |
| Transfer to Other Funds (Note 4(b)(iii)) | 47,693,000 | - | - |
| | 641,980,000 | 644,248,279 | 671,792,376 |
| TOTAL CURRENT EXPENSES | 1,107,031,000 | 1,211,299,304 | 1,052,497,002 |

Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department
For the year ended March 31

| | 2015 Original Estimates | 2015 Actual | 2014 Actual |
|---|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 02 Legislature | 5,206,000 | 4,785,294 | 5,134,536 |
| 05 Office of the Auditor General | 3,760,000 | 3,805,246 | 3,895,980 |
| 01 Governor & Staff | 1,544,000 | 1,485,179 | 1,455,585 |
| 92 Internal Audit | 1,659,000 | 1,481,236 | 1,356,755 |
| 63 Parliamentary Registrar | 1,285,000 | 945,714 | 837,166 |
| 85 Ombudsman's Office | 772,000 | 755,711 | 785,268 |
| | 14,226,000 | 13,258,380 | 13,465,290 |
| Cabinet Office Departments | | | |
| 43 Information Technology Office | 6,742,000 | 7,945,112 | 8,232,394 |
| 09 Cabinet Office | 6,992,000 | 6,075,981 | 6,807,429 |
| 26 Department of Human Resources | 4,094,000 | 3,811,689 | 3,815,644 |
| 14 Department of Statistics | 2,773,000 | 2,552,001 | 2,694,798 |
| 51 Department of Communication & Information | 2,375,000 | 2,295,324 | 2,455,406 |
| 84 E-Government | 1,057,000 | 1,115,757 | 964,783 |
| 80 Project Management & Procurement | 913,000 | 764,593 | 649,303 |
| 96 Sustainable Development | 438,000 | 373,295 | 479,990 |
| | 25,384,000 | 24,933,752 | 26,099,747 |
| Ministry of Tourism Development & Transport | | | |
| 48 Ministry of Tourism Dev. & Transport HQ | 25,161,000 | 26,874,508 | 958,194 |
| 35 Public Transportation | 19,445,000 | 23,861,347 | 23,714,179 |
| 31 Airport Operations | 20,561,000 | 23,842,956 | 25,288,089 |
| 30 Marine & Ports | 21,312,000 | 22,769,805 | 24,426,856 |
| 57 Civil Aviation | 10,131,000 | 8,136,680 | 7,851,018 |
| 34 Transport Control Department | 5,751,000 | 6,309,388 | 6,444,787 |
| 73 Maritime Administration | 2,653,000 | 2,844,703 | 2,304,199 |
| 33 Tourism | - | - | 31,387,946 |
| | 105,014,000 | 114,639,387 | 122,375,268 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 8,141,000 | 8,051,622 | 8,281,649 |
| 87 Ministry of Legal Affairs HQ | 5,725,000 | 7,073,864 | 8,074,203 |
| 04 Attorney General's Chambers | 3,982,000 | 3,914,379 | 3,768,457 |
| 74 Department of Court Services | 4,073,000 | 3,735,854 | 3,561,613 |
| 75 Department of Public Prosecutions | 2,930,000 | 2,687,105 | 2,794,518 |
| | 24,851,000 | 25,462,824 | 26,480,440 |
| Ministry of Finance | | | |
| 58 Interest on Debt | 113,500,000 | 113,222,504 | 109,244,778 |
| 11 Accountant General | 82,308,000 | 77,769,640 | 80,661,680 |
| 28 Social Insurance | 6,333,000 | 7,292,441 | 7,144,051 |
| 38 Office of the Tax Commissioner | 3,240,000 | 7,164,113 | 3,844,942 |
| 10 Ministry of Finance HQ | 5,160,000 | 5,459,829 | 4,956,317 |
| 59 Sinking Fund Contribution | 47,693,000 | - | - |
| Gain on Benefits Plans Amendments | - | - | (214,091,800) |
| Pensions and Retirement Benefits Expense | - | 104,764,248 | 120,532,461 |
| | 258,234,000 | 315,672,775 | 112,292,429 |
| Ministry of Education & Economic Development | | | |
| 17 Department of Education | 114,900,000 | 112,203,371 | 113,750,780 |
| 41 Bermuda College | 16,851,000 | 16,850,670 | 18,119,000 |
| 95 Ministry of Education & Economic Dev. HQ | 8,677,000 | 9,240,775 | 7,047,555 |
| 39 Registrar of Companies | 3,171,000 | 3,406,294 | 4,218,546 |
| 89 Energy | 1,040,000 | 789,920 | 730,402 |
| 46 Telecommunications | 900,000 | 785,498 | 650,495 |
| 67 E-Commerce | 962,000 | 749,303 | 583,418 |
| 16 Ministry of Education HQ | - | - | 2,294,396 |
| | 146,501,000 | 144,025,831 | 147,394,592 |
| Ministry of Health & Environment | | | |
| 24 Hospitals | 146,835,000 | 147,862,105 | 152,825,516 |
| 22 Department of Health | 27,096,000 | 25,703,827 | 27,369,614 |
| 21 Ministry of Health & Environment HQ | 15,578,000 | 14,475,399 | 13,348,181 |
| 72 Environmental Protection | 3,877,000 | 3,392,060 | 3,711,032 |
| 91 Health Insurance | 1,436,000 | 743,750 | 10,381,093 |
| | 194,822,000 | 192,177,141 | 207,635,436 |

Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department (cont'd)
For the year ended March 31

| | 2015 Original Estimates | 2015 Actual | 2014 Actual |
|--|-------------------------------|----------------------|----------------|
| | \$ | \$ | \$ |
| Ministry of Environment & Planning | | | |
| 50 Ministry of Environment & Planning HQ | - | - | 542,546 |
| | - | - | 542,546 |
| Ministry of Community, Culture & Sports | | | |
| 55 Financial Assistance | 46,948,000 | 51,964,024 | 48,454,709 |
| 23 Child & Family Services | 16,980,000 | 15,531,276 | 15,676,567 |
| 20 Youth, Sport & Recreation | 10,745,000 | 10,524,818 | 11,217,114 |
| 71 Ministry of Community, Culture and Sports HQ | 2,602,000 | 2,687,889 | 2,230,824 |
| 52 Community & Cultural Affairs | 3,411,000 | 2,624,726 | 3,143,440 |
| 18 Libraries | 2,127,000 | 2,123,733 | 2,236,267 |
| 56 Human Affairs | 2,122,000 | 1,989,480 | 2,142,951 |
| 19 Archives | 1,412,000 | 1,279,509 | 1,169,462 |
| | 86,347,000 | 88,725,455 | 86,271,334 |
| Ministry of National Security | | | |
| 07 Police | 67,925,000 | 68,092,026 | 67,583,568 |
| 25 Department of Corrections | 26,174,000 | 24,515,671 | 25,454,803 |
| 12 Customs | 18,175,000 | 17,923,384 | 20,772,202 |
| 45 Fire Services | 13,798,000 | 14,399,271 | 14,468,585 |
| 13 Post Office | 11,781,000 | 11,432,246 | 12,823,180 |
| 06 Defence | 7,314,000 | 8,123,375 | 7,797,102 |
| 88 National Drug Control | 4,127,000 | 5,062,561 | 4,869,590 |
| 83 Ministry of National Security HQ | 1,195,000 | 1,437,506 | 1,097,798 |
| | 150,489,000 | 150,986,040 | 154,866,828 |
| Ministry of Home Affairs | | | |
| 27 Immigration | 4,407,000 | 4,981,895 | 4,449,807 |
| 60 Workforce Development | 5,200,000 | 4,341,981 | 5,358,069 |
| 93 Ministry of Home Affairs HQ | 3,466,000 | 4,054,300 | 6,306,730 |
| 32 Department of Planning | 3,331,000 | 2,879,444 | 3,336,703 |
| 29 Registry General | 1,966,000 | 1,633,886 | 1,686,449 |
| 42 Rent Commissioner | 480,000 | 454,744 | 529,051 |
| | 18,850,000 | 18,346,250 | 21,666,809 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 31,767,000 | 48,966,211 | 51,630,779 |
| 81 Public Lands & Buildings | 20,532,000 | 37,241,211 | 40,379,859 |
| 36 Ministry of Public Works HQ | 5,679,000 | 13,509,281 | 15,624,303 |
| 68 Parks | 9,893,000 | 9,366,799 | 10,794,737 |
| 53 Bermuda Housing Corporation | 7,440,000 | 7,440,000 | 8,000,000 |
| 69 Conservation Services | 4,559,000 | 4,509,039 | 4,715,613 |
| 97 Land, Surveys & Registration | 1,621,000 | 1,322,021 | 1,281,501 |
| 49 Land Valuation | 822,000 | 715,964 | 979,491 |
| | 82,313,000 | 123,070,526 | 133,406,283 |
| Ministry of Economy, Trade and Industry | | | |
| 94 Ministry of Economy, Trade and Industry HQ | - | 943 | - |
| | - | 943 | - |
| TOTAL CURRENT EXPENSES | 1,107,031,000 | 1,211,299,304 | 1,052,497,002 |

Government of Bermuda - Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department
For the year ended March 31

| | 2015 Interdepartmental Expense | 2015 Actual Gross Expense | 2015 Net Expense |
|---|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 02 Legislature | - | 4,785,294 | 4,785,294 |
| 05 Office of the Auditor General | 241 | 3,805,246 | 3,805,005 |
| 01 Governor & Staff | 4,763 | 1,485,179 | 1,480,416 |
| 92 Internal Audit | 85 | 1,481,236 | 1,481,151 |
| 63 Parliamentary Registrar | 170 | 945,714 | 945,544 |
| 85 Ombudsman's Office | - | 755,711 | 755,711 |
| | 5,259 | 13,258,380 | 13,253,121 |
| Cabinet Office Departments | | | |
| 43 Information Technology Office | 3,734 | 7,945,112 | 7,941,378 |
| 09 Cabinet Office | 2,620 | 6,075,981 | 6,073,361 |
| 26 Department of Human Resources | 392 | 3,811,689 | 3,811,297 |
| 14 Department of Statistics | 355 | 2,552,001 | 2,551,646 |
| 51 Department of Communication & Information | 3,220 | 2,295,324 | 2,292,104 |
| 84 E-Government | - | 1,115,757 | 1,115,757 |
| 80 Project Management & Procurement | 456 | 764,593 | 764,137 |
| 96 Sustainable Development | - | 373,295 | 373,295 |
| | 10,777 | 24,933,752 | 24,922,975 |
| Ministry of Tourism Development & Transport | | | |
| 48 Ministry of Tourism Dev. & Transport HQ | 347 | 26,874,508 | 26,874,161 |
| 35 Public Transportation | 1,048,681 | 23,861,347 | 22,812,666 |
| 31 Airport Operations | 18,436 | 23,842,956 | 23,824,520 |
| 30 Marine & Ports | 171,843 | 22,769,805 | 22,597,962 |
| 57 Civil Aviation | 120 | 8,136,680 | 8,136,560 |
| 34 Transport Control Department | 20,444 | 6,309,388 | 6,288,944 |
| 73 Maritime Administration | 120 | 2,844,703 | 2,844,583 |
| 33 Tourism | 81 | - | (81) |
| | 1,260,072 | 114,639,387 | 113,379,315 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 2,092 | 8,051,622 | 8,049,530 |
| 87 Ministry of Legal Affairs HQ | 1,865 | 7,073,864 | 7,071,999 |
| 04 Attorney General's Chambers | - | 3,914,379 | 3,914,379 |
| 74 Department of Court Services | 11,642 | 3,735,854 | 3,724,212 |
| 75 Department of Public Prosecutions | - | 2,687,105 | 2,687,105 |
| | 15,599 | 25,462,824 | 25,447,225 |
| Ministry of Finance | | | |
| 58 Interest on Debt | - | 113,222,504 | 113,222,504 |
| 11 Accountant General | 6,961 | 77,769,640 | 77,762,679 |
| 28 Social Insurance | 253,622 | 7,292,441 | 7,038,819 |
| 38 Office of the Tax Commissioner | 59,188 | 7,164,113 | 7,104,925 |
| 10 Ministry of Finance HQ | - | 5,459,829 | 5,459,829 |
| Retirement Benefit (Refund) Expenses | - | 104,764,248 | 104,764,248 |
| | 319,771 | 315,672,775 | 315,353,004 |
| Ministry of Education & Economic Development | | | |
| 17 Department of Education | 57,636 | 112,203,371 | 112,145,735 |
| 41 Bermuda College | - | 16,850,670 | 16,850,670 |
| 95 Min. of Education & Economic Dev. HQ | - | 9,240,775 | 9,240,775 |
| 39 Registrar of Companies | - | 3,406,294 | 3,406,294 |
| 89 Energy | - | 789,920 | 789,920 |
| 46 Telecommunications | 85 | 785,498 | 785,413 |
| 67 E-Commerce | 172 | 749,303 | 749,131 |
| | 57,893 | 144,025,831 | 143,967,938 |
| Ministry of Health & Environment | | | |
| 24 Hospitals | - | 147,862,105 | 147,862,105 |
| 22 Department of Health | 69,522 | 25,703,827 | 25,634,305 |
| 21 Ministry of Health & Environment HQ | 12,357 | 14,475,399 | 14,463,042 |
| 72 Environmental Protection | 3,760 | 3,392,060 | 3,388,300 |
| 91 Health Insurance | - | 743,750 | 743,750 |
| | 85,639 | 192,177,141 | 192,091,502 |

Government of Bermuda - Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department (cont'd)
For the year ended March 31

| | 2015 Interdepartmental Expense | 2015 Actual Gross Expense | 2015 Net Expense |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Ministry of Community, Culture & Sports | | | |
| 55 Financial Assistance | 31,498 | 51,964,024 | 51,932,526 |
| 23 Child & Family Services | 19,855 | 15,531,276 | 15,511,421 |
| 20 Youth, Sport & Recreation | 195,337 | 10,524,818 | 10,329,481 |
| 71 Ministry of Community, Culture and Sports HQ | 222 | 2,687,889 | 2,687,667 |
| 52 Community & Cultural Affairs | 20,173 | 2,624,726 | 2,604,553 |
| 18 Libraries | 5,698 | 2,123,733 | 2,118,035 |
| 56 Human Affairs | 268 | 1,989,480 | 1,989,212 |
| 19 Archives | 612 | 1,279,509 | 1,278,897 |
| | 273,663 | 88,725,455 | 88,451,792 |
| Ministry of National Security | | | |
| 07 Police | 87,958 | 68,092,026 | 68,004,068 |
| 25 Department of Corrections | 174,885 | 24,515,671 | 24,340,786 |
| 12 Customs | 26,819 | 17,923,384 | 17,896,565 |
| 45 Fire Services | 12,898 | 14,399,271 | 14,386,373 |
| 13 Post Office | 30,141 | 11,432,246 | 11,402,105 |
| 06 Defence | 3,739 | 8,123,375 | 8,119,636 |
| 88 National Drug Control | 5,531 | 5,062,561 | 5,057,030 |
| 83 Ministry of National Security HQ | 2,594 | 1,437,506 | 1,434,912 |
| | 344,565 | 150,986,040 | 150,641,475 |
| Ministry of Home Affairs | | | |
| 27 Immigration | 1,605 | 4,981,895 | 4,980,290 |
| 60 Workforce Development | 1,889 | 4,341,981 | 4,340,092 |
| 93 Ministry of Home Affairs HQ | 76 | 4,054,300 | 4,054,224 |
| 32 Department of Planning | 70 | 2,879,444 | 2,879,374 |
| 29 Registry General | - | 1,633,886 | 1,633,886 |
| 42 Rent Commissioner | - | 454,744 | 454,744 |
| | 3,640 | 18,346,250 | 18,342,610 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 707 | 48,966,211 | 48,965,504 |
| 81 Public Lands & Buildings | 5,301 | 37,241,211 | 37,235,910 |
| 36 Ministry of Public Works HQ | 689,590 | 13,509,281 | 12,819,691 |
| 68 Parks | 277,862 | 9,366,799 | 9,088,937 |
| 53 Bermuda Housing Corporation | - | 7,440,000 | 7,440,000 |
| 69 Conservation Services | 37,653 | 4,509,039 | 4,471,386 |
| 97 Land, Surveys & Registration | 170 | 1,322,021 | 1,321,851 |
| 49 Land Valuation | 1,045 | 715,964 | 714,919 |
| | 1,012,328 | 123,070,526 | 122,058,198 |
| Ministry of Economy, Trade and Industry | | | |
| 94 Min. of Economy, Trade & Industry HQ | - | 943 | 943 |
| | - | 943 | 943 |
| TOTAL CURRENT EXPENSES | 3,389,206 | 1,211,299,304 | 1,207,910,098 |

Government of Bermuda - Consolidated Fund
 Schedule 11: Schedules of Tangible Capital Assets and Assets Under Construction
 As at March 31, 2015

| | Estimated Useful Life | COST | | | ACCUMULATED AMORTIZATION | | | 31-Mar-15 Net Book Value | 31-Mar-14 Net Book Value |
|--------------------------------------|-----------------------|----------------------|-------------------|-------------------------|--------------------------|----------------------|-------------------------|--------------------------|--------------------------|
| | | Opening Balance | Additions | Disposals & Adjustments | Opening Balance | Amortization Expense | Disposals & Adjustments | | |
| Tangible Capital Assets | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | Indefinite | 45,636,778 | 5,560 | - | - | - | - | 45,642,338 | 45,636,778 |
| Buildings & Betterments | 2 - 40 years | 627,582,738 | 3,316,722 | - | (188,781,597) | (18,035,068) | - | 424,082,795 | 438,801,141 |
| Infrastructure | 10 - 40 years | 184,175,137 | 1,242,183 | - | (53,564,429) | (10,806,472) | - | 121,046,419 | 130,610,708 |
| Vehicles & Heavy Equipment | 5 - 7 years | 93,649,948 | 3,718,616 | - | (80,823,715) | (5,770,850) | - | 10,773,999 | 12,826,233 |
| Boats & Vessels | 5 - 10 years | 46,141,352 | (20,395) | - | (38,257,762) | (2,126,234) | - | 5,736,961 | 7,883,590 |
| Computer Software | 10 years | 36,948,911 | 1,184,110 | - | (15,077,821) | (3,740,128) | - | 19,315,072 | 21,871,090 |
| Office Equipment | 5 years | 17,467,071 | 601,550 | - | (13,498,693) | (1,781,929) | - | 2,787,999 | 3,968,378 |
| Computer Hardware | 3 - 7 years | 19,329,474 | 2,447,963 | - | (13,028,921) | (2,642,816) | - | 6,105,700 | 6,300,553 |
| Capital Leases | 3 years | 4,879,101 | 201,582 | (86,182) | (4,108,677) | (244,889) | 42,313 | 703,248 | 770,424 |
| Furniture & Fixtures | 7 years | 4,834,019 | 465,624 | - | (3,708,106) | (467,767) | - | 1,123,770 | 1,125,913 |
| Plant, Machinery & Equipment | 10 - 30 years | 104,052,430 | 3,338,667 | - | (51,632,856) | (8,052,758) | - | 47,705,483 | 52,419,574 |
| Total Tangible Capital Assets | | 1,184,696,959 | 16,502,182 | (86,182) | (462,482,577) | (53,668,911) | 42,313 | 685,023,784 | 722,214,382 |
| Assets Under Construction | | 52,476,614 | 21,095,257 | (10,205,565) | - | - | - | 63,366,306 | 52,476,614 |
| Loss on Disposal of Leases | | - | - | - | - | (23,868) | - | - | - |

Government of Bermuda - Consolidated Fund
Schedule 12: Current Expenditure - Estimates Compared to Expenditures
For the year ended March 31, 2015

| | Expenses | Expenditure ¹ | Adjusted Estimates ² | Under (Over) Spent |
|---|-------------|--------------------------|---------------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Non-Ministry Departments | | | | |
| 02 Legislature | 4,785,294 | 4,749,377 | 5,182,713 | 433,336 |
| 05 Office of the Auditor General | 3,805,246 | 3,754,322 | 3,760,496 | 6,174 |
| 01 Governor & Staff | 1,485,179 | 1,481,690 | 1,543,773 | 62,083 |
| 92 Internal Audit | 1,481,236 | 1,479,936 | 1,659,291 | 179,355 |
| 63 Parliamentary Registrar | 945,714 | 930,912 | 1,271,412 | 340,500 |
| 85 Ombudsman's Office | 755,711 | 750,276 | 785,746 | 35,470 |
| | 13,258,380 | 13,146,513 | 14,203,431 | 1,056,918 |
| Cabinet Office Departments | | | | |
| 43 Information Technology Office | 7,945,112 | 6,330,793 | 6,742,229 | 411,436 |
| 09 Cabinet Office | 6,075,981 | 6,054,366 | 6,991,615 | 937,249 |
| 26 Department of Human Resources | 3,811,689 | 3,798,965 | 4,093,654 | 294,689 |
| 14 Department of Statistics | 2,552,001 | 2,530,371 | 2,772,961 | 242,590 |
| 51 Department of Communication & Information | 2,295,324 | 2,270,244 | 2,375,498 | 105,254 |
| 84 E-Government | 1,115,757 | 1,106,319 | 1,056,858 | (49,461) |
| 80 Project Management & Procurement | 764,593 | 753,996 | 913,262 | 159,266 |
| 96 Sustainable Development | 373,295 | 373,295 | 437,815 | 64,520 |
| | 24,933,752 | 23,218,349 | 25,383,892 | 2,165,543 |
| Ministry of Tourism Development & Transport | | | | |
| 48 Ministry of Tourism Dev. & Transport HQ | 26,874,508 | 25,374,542 | 25,570,472 | 195,930 |
| 35 Public Transportation | 23,861,347 | 21,547,646 | 20,029,236 | (1,518,410) |
| 31 Airport Operations | 23,842,956 | 21,054,573 | 23,835,453 | 2,780,880 |
| 30 Marine & Ports | 22,769,805 | 21,086,506 | 21,502,628 | 416,122 |
| 57 Civil Aviation | 8,136,680 | 8,033,469 | 8,692,852 | 659,383 |
| 34 Transport Control Department | 6,309,388 | 5,717,022 | 5,750,613 | 33,591 |
| 73 Maritime Administration | 2,844,703 | 2,801,057 | 2,906,213 | 105,156 |
| | 114,639,387 | 105,614,815 | 108,287,467 | 2,672,652 |
| Ministry of Legal Affairs | | | | |
| 03 Judicial Department | 8,051,622 | 7,523,465 | 8,141,305 | 617,840 |
| 87 Ministry of Legal Affairs HQ | 7,073,864 | 7,069,786 | 6,382,016 | (687,770) |
| 04 Attorney General's Chambers | 3,914,379 | 3,810,327 | 4,073,881 | 263,554 |
| 74 Department of Court Services | 3,735,854 | 3,716,723 | 4,074,874 | 358,151 |
| 75 Department of Public Prosecutions | 2,687,105 | 2,681,876 | 2,929,852 | 247,976 |
| | 25,462,824 | 24,802,177 | 25,601,928 | 799,751 |
| Ministry of Finance | | | | |
| 58 Interest on Debt | 113,222,504 | 113,222,504 | 113,500,000 | 277,496 |
| 11 Accountant General | 77,769,640 | 76,985,814 | 81,207,622 | 4,221,808 |
| 28 Social Insurance | 7,292,441 | 7,269,550 | 7,133,000 | (136,550) |
| 38 Office of the Tax Commissioner | 7,164,113 | 2,903,818 | 3,239,888 | 336,070 |
| 10 Ministry of Finance HQ | 5,459,829 | 5,446,714 | 5,460,169 | 13,455 |
| 59 Sinking Fund Contribution | - | 47,668,750 | 47,693,000 | 24,250 |
| Retirement Benefit (Refund) Expenses | 104,764,248 | - | - | - |
| | 315,672,775 | 253,497,150 | 258,233,679 | 4,736,529 |
| Ministry of Education & Economic Development | | | | |
| 17 Department of Education | 112,203,371 | 111,313,889 | 114,859,004 | 3,545,115 |
| 41 Bermuda College | 16,850,670 | 16,850,670 | 16,850,670 | - |
| 95 Ministry of Education & Economic Dev. HQ | 9,240,775 | 9,237,468 | 10,118,700 | 881,232 |
| 39 Registrar of Companies | 3,406,294 | 2,226,740 | 3,070,735 | 843,995 |
| 89 Energy | 789,920 | 789,920 | 1,040,000 | 250,080 |
| 46 Telecommunications | 785,498 | 773,245 | 1,180,000 | 406,755 |
| 67 E-Commerce | 749,303 | 744,243 | 961,893 | 217,650 |
| | 144,025,831 | 141,936,175 | 148,081,002 | 6,144,827 |
| Ministry of Health & Environment | | | | |
| 24 Hospitals | 147,862,105 | 147,862,105 | 146,834,504 | (1,027,601) |
| 22 Department of Health | 25,703,827 | 24,881,097 | 27,065,877 | 2,184,780 |
| 21 Ministry of Health & Environment HQ | 14,475,399 | 14,463,434 | 15,608,041 | 1,144,607 |
| 72 Environmental Protection | 3,392,060 | 3,087,011 | 3,876,986 | 789,975 |
| 91 Health Insurance | 743,750 | 743,750 | 1,436,253 | 692,503 |
| | 192,177,141 | 191,037,397 | 194,821,661 | 3,784,264 |

¹ Adjusted for Non-Budgeted, Non-Cash Items

² Includes all Approved Supplementary amounts during the year

Government of Bermuda - Consolidated Fund
Schedule 12: Current Expenditure - Estimates Compared to Expenditures (cont'd)
For the year ended March 31, 2015

| | Expenses | Expenditure ¹ | Adjusted Estimates ² | Under (Over) Spent |
|--|----------------------|--------------------------|---------------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Ministry of Community, Culture & Sports | | | | |
| 55 Financial Assistance | 51,964,024 | 51,925,494 | 52,548,408 | 622,914 |
| 23 Child & Family Services | 15,531,276 | 15,468,240 | 16,979,537 | 1,511,297 |
| 20 Youth, Sport & Recreation | 10,524,818 | 10,449,226 | 10,685,029 | 235,803 |
| 71 Ministry of Community, Culture and Sports HQ | 2,687,889 | 2,671,582 | 2,791,659 | 120,077 |
| 52 Community & Cultural Affairs | 2,624,726 | 2,619,078 | 3,296,634 | 677,556 |
| 18 Libraries | 2,123,733 | 2,110,017 | 2,126,917 | 16,900 |
| 56 Human Affairs | 1,989,480 | 1,927,753 | 2,116,178 | 188,425 |
| 19 Archives | 1,279,509 | 1,257,797 | 1,401,568 | 143,771 |
| | 88,725,455 | 88,429,187 | 91,945,930 | 3,516,743 |
| Ministry of National Security | | | | |
| 07 Police | 68,092,026 | 66,692,399 | 67,504,967 | 812,568 |
| 25 Department of Corrections | 24,515,671 | 24,375,478 | 26,174,495 | 1,799,017 |
| 12 Customs | 17,923,384 | 17,195,775 | 17,975,400 | 779,625 |
| 45 Fire Services | 14,399,271 | 12,823,524 | 13,579,432 | 755,908 |
| 13 Post Office | 11,432,246 | 11,215,124 | 11,729,434 | 514,310 |
| 06 Defence | 8,123,375 | 8,063,329 | 8,095,741 | 32,412 |
| 88 National Drug Control | 5,062,561 | 4,415,203 | 4,693,911 | 278,708 |
| 83 Ministry of National Security HQ | 1,437,506 | 1,444,595 | 1,555,823 | 111,228 |
| | 150,986,040 | 146,225,427 | 151,309,203 | 5,083,776 |
| Ministry of Home Affairs | | | | |
| 27 Immigration | 4,981,895 | 4,167,077 | 4,262,779 | 95,702 |
| 60 Workforce Development | 4,341,981 | 4,281,220 | 5,099,634 | 818,414 |
| 93 Ministry of Home Affairs HQ | 4,054,300 | 4,049,139 | 5,355,997 | 1,306,858 |
| 32 Department of Planning | 2,879,444 | 2,870,787 | 3,294,432 | 423,645 |
| 29 Registry General | 1,633,886 | 1,603,421 | 1,836,113 | 232,692 |
| 42 Rent Commissioner | 454,744 | 454,744 | 480,195 | 25,451 |
| | 18,346,250 | 17,426,388 | 20,329,150 | 2,902,762 |
| Ministry of Public Works | | | | |
| 82 Works & Engineering | 48,966,211 | 30,270,978 | 31,766,859 | 1,495,881 |
| 81 Public Lands & Buildings | 37,241,211 | 20,593,322 | 20,456,924 | (136,398) |
| 36 Ministry of Public Works HQ | 13,509,281 | 16,926,606 | 9,883,662 | (7,042,944) |
| 68 Parks | 9,366,799 | 9,166,489 | 9,893,477 | 726,988 |
| 53 Bermuda Housing Corporation | 7,440,000 | 5,640,000 | 7,440,000 | 1,800,000 |
| 69 Conservation Services | 4,509,039 | 4,469,091 | 4,559,174 | 90,083 |
| 97 Land, Surveys & Registration | 1,322,021 | 1,301,157 | 1,620,848 | 319,691 |
| 49 Land Valuation | 715,964 | 681,374 | 822,052 | 140,678 |
| | 123,070,526 | 89,049,017 | 86,442,996 | (2,606,021) |
| Ministry of Government Estates & Information Services | | | | |
| 94 Ministry of Economy, Trade & Industry HQ | 943 | - | - | - |
| | 943 | - | - | - |
| TOTAL CURRENT EXPENDITURE | 1,211,299,304 | 1,094,382,596 | 1,124,640,339 | 30,257,744 |

¹ Adjusted for Non-Budgeted, Non-Cash Items

² Includes all Approved Supplementary amounts during the year

Government of Bermuda - Consolidated Fund
Schedule 13: Commitments - Legislated
For the year ended March 31

| | 2015 | 2014 |
|---|----------------|------------------|
| | Actual | Actual |
| | \$ | \$ |
| Unspent Capital Appropriations | | |
| In accordance with Section 6 of the Appropriations Act 2015, unspent capital appropriations for incomplete capital projects to be carried forward to future years are as follows: | | |
| Capital Development | 178,841 | 5,511,234 |
| Capital Acquisition | 318,000 | 2,000,000 |
| | 496,841 | 7,511,234 |

Total Authorized Funding

Total Authorized Funding represents the estimated total cost of capital development projects and is subject to the voting of supply by the Legislature. Estimated future expenditure for continuing capital development projects is as follows:

| | | |
|---|--------------------|--------------------|
| Total Authorized Funding | 926,638,138 | 889,850,476 |
| Projects Completed during the year | (143,529,000) | (126,370,000) |
| Supplementary Estimate No.1 | 4,876,600 | 2,128,000 |
| Revised Total Authorized Funding | 787,985,738 | 765,608,476 |
| Appropriated Capital Development | (354,345,720) | (330,782,820) |
| Unappropriated Capital Development Commitments | 433,640,018 | 434,825,656 |

**Government of Bermuda - Consolidated Fund
Schedule 14: Public Debt - Legislated Limit
As at March 31**

| | 2015 | 2014 |
|---------------------------|----------------------|---------------|
| | Actual | Actual |
| | \$ | \$ |
| Debt (Schedule 7) | 2,185,000,000 | 2,305,000,000 |
| Less: | | |
| Sinking Fund (Schedule 7) | 135,347,558 | 536,557,729 |
| Public Debt | 2,049,652,442 | 1,768,442,271 |
| Legislated Limit | 2,500,000,000 | 2,500,000,000 |
| Available Limit | 450,347,558 | 731,557,729 |

The Government Loans Act 1978 as amended, defines public debt as debt owed or guaranteed by the Fund, but only if and when, and to the extent that, the guarantee obligation becomes due and payable by the Government.

Section 2A(1) of the Act limits public debt (net of sinking fund assets) to \$2.50 billion, as amended February 22, 2013.



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters**Ministerial Statement**
To the House of Assembly
By**The Hon. E.T. Richards, JP, MP.**
Minister of Finance**Consolidated Fund Financial Statements 2015****Date: 20 May, 2015**

Mr. Speaker, I am pleased to table audited financial statements relating to the Consolidated Fund for the year-ended March 31, 2015.

As Honourable Members are aware the Consolidated Fund is the general operating fund of the Bermuda Government and is the Fund through which Government conducts the majority of its transactions. The Consolidated Fund financial statements report the financial position, operations, change in net debt and cash flows resulting from the activities of the Government. This includes the accounts of the Senate, the House of Assembly, all Government departments and offices and all courts.

Mr. Speaker, I am pleased to note that the annual accounts of the Consolidated Fund of the Government of Bermuda were given an

unqualified audit opinion for the third consecutive year following six years of qualified opinions. Despite the clean audit opinion, the Auditor General has, for the fifth consecutive year, included explanatory paragraphs as ‘other matters’ which she deems appropriate. These “other matters” relate to the following:

- The increased level of the net debt and the need for the Government of Bermuda to take concerted action to address it;
- Ongoing incidents of non-compliance with the Government of Bermuda’s Financial Instructions; and
- The preparation of Summary Financial Statements for the Bermuda Government.

It is important to note that these explanatory paragraphs do not alter the Auditor General’s unqualified opinion, but are highlighted matters. However, the Government shares the Auditor’s concerns in these areas and has already started to tackle these matters. For instance Mr. Speaker, the Ministry of Finance has already put in place a three-year plan to eliminate the deficit and ultimately reduce the debt.

Mr. Speaker, liabilities related to pension and other employee future benefits are included in the “Net Debt” amount disclosed in the Financial Statements and the Government has already started the review of these benefits to ensure their sustainability.

Also, I can report that the Cabinet Office and Ministry of Finance have collaborated to develop an enhanced Financial Instructions Training Programme. The key aim of this Programme is to raise awareness and understanding of Financial Instructions with a view to positively impacting compliance and reporting.

Mr. Speaker, with regard to the preparation of Summary Financial Statements for the Bermuda Government, the Ministry agrees there are benefits to issuing consolidated financial statements and Members will recall that legislation was passed in 2014 to create the reporting entity under which summary statements will be prepared.

Whilst legislative changes are required to effect consolidated reporting, they are simply one aspect of a complex approach that would be required to achieve this accounting objective. Accordingly, progress is being made on this important initiative, but it should be emphasised that consideration must be given to resources, accounting systems, management roles and other factors that are critical in the accomplishment of this task.

Mr. Speaker, the sign-off date for the completion of the audit was April 25th 2016. The Ministry's position is that the audited financials should be able to be completed within nine months of the March 31 year-end, and have instructed the Accountant General to work diligently with the Office of the Auditor General and new Auditor General to address the issues causing delays in issuing the annual accounts of the Consolidated Fund.

Some financial highlights of the 2015 Consolidated Fund Financial Statements are as follows:

The total revenue raised by the Consolidated Fund for fiscal 2014/15 was approximately \$903.7 million, representing an increase of \$19.8 million (2.2%) from fiscal 2013/14 total revenue of \$883.9 million. This exceeded original budget estimates by approximately \$2.0 million (0.2%). The most significant generators of revenues for fiscal 2014/15 were Payroll Taxes, accounting for \$326.9 million or 36.2% of total revenue (2014 - \$330.9 million or 37.4%) and Customs Duty, accounting for \$171.5 million or 19% (2014 - \$175.0 million or 19.8%). Total revenue on a modified cash basis (on the same basis that is shown in the Budget Book) was \$880.4 million (2014 - \$883.9 million), which was \$21.3 million less (2014 - \$12.7 million more) than original budget estimates.

Current expenses for fiscal 2014/15 were \$1.211 billion (2014 - \$1.267 billion). 2014 excluded the effect of a net gain on benefits plans amendments of \$214.1 million, which had the effect of reducing total expenses to \$1.053 billion for 2013/14. The 2013/14 net gain was primarily attributable to the elimination of the pensions' cost of living adjustment. The three largest components of current expenses were employee costs, grants and contributions and interest on debt. Total employee costs were \$567.1 million or 47.0% (2014 - \$594.8 million or 47.0%) of total expenses. Included in this amount is \$144.3 million (2014 - \$161.2 million) of non-cash retirement benefit expenses. Grants and contributions were \$296.4 million or 24.5%

(2014 - \$287.0 million or 22.7%) and interest on debt was \$113.2 million or 9.3% (2014 - \$109.7 million or 8.7%).

Total current expenditure on a modified cash basis (on the same basis that is shown in the Budget Book) was \$1.094 billion (2014 - \$1.118 billion), which was \$12.7 million less (2014 - \$180 thousand less) than the original budget estimates of \$1.107 billion.

Mr. Speaker total capital account cash expenditure was \$49.8 million, which was \$12.2 million lower than the original budget estimates.

Total capital and current account cash expenditure for 2014/15 was \$1.144 billion, which was \$24.8 million or 2.1% lower than the original budget estimate of \$1.169 billion.

The all-inclusive results from government operations (both current and capital) for the year ending March 31, 2015, were a deficit of \$324 million. There are many non - cash expenses included in this figure. If we strip those away, the modified cash all-inclusive results from government operations (on the same basis that is shown in the Budget Book) was a deficit of \$263.8 million. This compares to a deficit of \$267.3 million that was originally budgeted. Therefore, the actual overall deficit was down by \$3.5 million or 1.3% when compared to the original estimate. The decreased deficit is a result of better management of discretionary current and capital expenditures.

Cash and cash equivalents at the end of fiscal 2014/15 totaled \$39.4 million which was \$17.6 million higher than the balance at the end of 2013/14.

Mr. Speaker, net Public Debt, which excludes guarantees and is net of the Government Borrowing Sinking Fund, increased by \$281.2 million during fiscal 2014/15 and stood at \$2.050 billion at the end of the year representing a 15.9% increase. There was no new borrowing in 2014/15. The 2014/15 deficit was financed by drawing funds from the Sinking Fund. As at March 31, 2015 the Sinking Fund balance was \$135.7 million.

The level of debt mentioned above is not only unsustainable but economically and fiscally imprudent and the Government has already committed to redouble our efforts and determination to eliminate the government deficit in three years, and eventually pay down on our debt.

Mr. Speaker, the statements of the Consolidated Fund provide valuable information on the financial position of the Government and I would encourage the public to examine these statements.

Thank you Mr. Speaker

May 15, 2015

Government of Bermuda – Consolidated Fund

Statement of Responsibility for the Consolidated Fund Financial Statements

The financial statements are prepared under the general direction of the Minister of Finance by the Accountant General in accordance with public sector accounting standards, and include statements of financial position, operations and accumulated deficit, change in net debt, cash flow, notes and schedules integral to the statements. Together, they present fairly, the financial position of the Consolidated Fund as at March 31, 2016, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended.

The Government is responsible for the integrity and objectivity of the financial statements. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets, liabilities, revenues and expenses is dependent on future events. The Government believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

The Government fulfills its accounting and reporting responsibilities, through the Accountant General's Department, by maintaining systems of financial management and internal control. The systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure all transactions are in accordance with the Public Treasury (Administration and Payments) Act 1969.

The Auditor General expresses an independent opinion on these financial statements. Her report, stating the scope of her audit and opinion, appears on the following page.

These financial statements are tabled in both Houses of the Legislature. They are referred to the Public Accounts Committee, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of Bermuda.



Anthony Manders, CGA
Financial Secretary



Curtis Stovell, CA, CPA
Accountant General

Hamilton, Bermuda
February 3, 2017



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148
Fax: (441) 295-3849
Email: oag@oagbermuda.bm
Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly, the Governor and the Senate

I have audited the accompanying financial statements of the Consolidated Fund of the Government of Bermuda, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated deficit, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with public sector accounting standards generally accepted in Bermuda and Canada, 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 auditing standards generally accepted in Bermuda and Canada. 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 the Consolidated Fund of the Government of Bermuda as at March 31, 2016, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with public sector accounting standards generally accepted in Bermuda and Canada.

Other matters

As permitted by Section 6 of the Audit Act 1990, I may include in my auditor's report any other comments arising out of the accounts that I consider appropriate.

Increasing Net Debt

Without qualifying my opinion, I wish to draw attention to the level of net debt which increased by \$186 million to \$3.5 billion as of March 31, 2016. Government needs to take concerted action to address this fiscal challenge.

Incidences of non-compliance with the Government of Bermuda's Financial Instructions

Also, without qualifying my opinion, I wish to draw attention to ongoing incidences of non-compliance with the Government of Bermuda's Financial Instructions which form the standard for financial controls for the Government. Although these incidences of non-compliance did not lead me to qualify my audit opinion for the current year, it revealed weaknesses and deficiencies in the control environment. It is important that the Government adheres to its internal control framework.

Usefulness of these Financial Statements is Limited

As described in Note 2, these financial statements represent the financial transactions of the Consolidated Fund and have been prepared primarily to provide accountability for the financial resources appropriated by the Legislature of Bermuda. These financial statements are not summary financial statements of the Government of Bermuda. Significant financial activities of the Government occur outside the Consolidated Fund. As such, the financial statements of the Consolidated Fund for the year ended March 31, 2016 do not represent the full nature and extent of the overall financial affairs and resources of the Government of Bermuda.



Hamilton, Bermuda
February 3, 2017

Heather Thomas, CPA, CFE, CGMA
Auditor General

Government of Bermuda - Consolidated Fund
Statement of Financial Position
As at March 31

| | | 2016 | 2015 |
|--|-----------------|----------------------|----------------------|
| | | Actual | Actual |
| | | \$ | \$ |
| Liabilities | | | |
| | <u>Schedule</u> | | |
| Accounts Payable and Accrued Liabilities | 5 | 143,805,671 | 152,173,513 |
| Deferred Revenue | 6 | 2,816,408 | 8,735,621 |
| Deferred Insurance Proceeds | | 1,539,268 | 3,263,284 |
| | | <u>148,161,347</u> | <u>164,172,418</u> |
| Interest Bearing Debt - Net of Sinking Fund | 7 | <u>2,217,725,611</u> | 2,049,652,442 |
| Pensions and Other Employee Future Benefits | | | |
| - Pensions and Retirement Benefits (Note 9(g)) | | 1,327,853,129 | 1,249,750,620 |
| - Compensated Absences (Note 8) | | 27,257,382 | 26,312,056 |
| | | <u>1,355,110,511</u> | <u>1,276,062,676</u> |
| Other Liabilities | | | |
| Due to Government Funds and Agencies | 3(a) | 13,315,236 | 21,697,314 |
| Total Liabilities | | 3,734,312,705 | 3,511,584,850 |
| Financial Assets | | | |
| Cash and Cash Equivalents | | 42,148,877 | 39,416,834 |
| Accounts Receivable | 1 | 163,452,212 | 140,097,286 |
| Due from Government Funds and Agencies | 3 | 42,725,144 | 38,285,151 |
| Long-Term Receivables | 4 | 1,634,488 | 902,908 |
| Investment in BLDC (Note 14(b)(ii)) | | 5,000,000 | 5,000,000 |
| Investment in ACBDA (Note 14(b)(vii)) | | 100 | 100 |
| Total Financial Assets | | 254,960,821 | 223,702,279 |
| Net Debt | | 3,479,351,884 | 3,287,882,571 |
| Non-Financial Assets | | | |
| Tangible Capital Assets | 11 | 660,877,502 | 685,023,784 |
| Assets under Construction | 11 | 61,697,557 | 63,366,306 |
| Inventories for Consumption | 2 | 14,750,190 | 13,788,999 |
| Prepaid Expenses | | 4,720,465 | 3,739,497 |
| Total Non-Financial Assets | | 742,045,714 | 765,918,586 |
| Accumulated Deficit | | 2,737,306,170 | 2,521,963,985 |

Contingent Liabilities, Non-Contractual Operational Obligations, Contractual Obligations and Commitments - Legislated (Notes 10, 11, 12 and Schedule 13)

The accompanying notes and schedules are an integral part of these financial statements.

**Government of Bermuda - Consolidated Fund
Statement of Operations and Accumulated Deficit
For the year ended March 31**

| | | 2016 | 2015 |
|---|-------------------------|------------------------|-----------------|
| | | Actual ¹ | Actual |
| | | \$ | \$ |
| Revenue | <u>Schedule</u> 8, 9 | | |
| Taxes & Duties | | | |
| Payroll Tax | | 361,135,536 | 326,859,202 |
| Customs Duty | | 192,593,226 | 171,469,468 |
| Other Taxes and Duties | | 69,826,118 | 64,909,437 |
| Land Tax | | 67,068,082 | 61,101,087 |
| Passenger Tax | | 40,794,380 | 32,908,276 |
| Total Taxes & Duties | | 731,417,342 | 657,247,470 |
| Fees, Permits & Licenses | | 202,688,217 | 220,875,261 |
| Other Revenue | | 25,700,719 | 23,065,182 |
| Investment Income | | 911,946 | 2,553,694 |
| Total Revenue | | 960,718,224 | 903,741,607 |
| Expenses | 10 | | |
| Economic Development | | 372,452,638 | 385,345,525 |
| Health | | 193,190,533 | 197,219,536 |
| National Security | | 143,471,887 | 148,166,393 |
| Education | | 131,937,467 | 134,322,777 |
| Interest on Debt | | 116,217,365 | 113,222,504 |
| Social Services & Assistance | | 85,102,907 | 85,786,827 |
| Pensions and Retirement Benefits Expense | | 79,047,835 | 104,764,248 |
| Other General Government Services | | 54,639,777 | 58,880,472 |
| Total Expenses | | 1,176,060,409 | 1,227,708,282 |
| Annual Deficit | | (215,342,185) | (323,966,675) |
| Accumulated Deficit, Beginning of Year | | (2,521,963,985) | (2,197,997,310) |
| Accumulated Deficit, End of Year | | (2,737,306,170) | (2,521,963,985) |

¹ Estimates against these actuals are provided for revenue in Schedules 8 and 9 and for current expenses in Schedules 10(a) and 10(b) for appropriation purposes.

**Government of Bermuda - Consolidated Fund
Statement of Change in Net Debt
For the year ended March 31**

| | 2016 | 2015 |
|---|------------------------|-----------------|
| | Actual | Actual |
| | \$ | \$ |
| Annual Deficit | (215,342,185) | (323,966,675) |
| Change Due to Tangible Capital Assets: | | |
| Net Additions to Tangible Capital Assets | (22,588,823) | (16,502,182) |
| Net Reductions (Additions) to Assets under Construction | 1,668,749 | (10,889,692) |
| Amortization of Tangible Capital Assets | 46,735,105 | 53,692,780 |
| Total Change Due to Tangible Capital Assets | 25,815,031 | 26,300,906 |
| Net (Additions) Reductions to Inventories for Consumption | (961,191) | 2,690,002 |
| Net Additions to Prepaid Expenses | (980,968) | (1,035,007) |
| Total Change Due to Inventories for Consumption and Prepaid Expenses | (1,942,159) | 1,654,995 |
| Increase in Net Debt | (191,469,313) | (296,010,774) |
| Net Debt, Beginning of Year | (3,287,882,571) | (2,991,871,797) |
| Net Debt, End of Year | (3,479,351,884) | (3,287,882,571) |

The accompanying notes and schedules are an integral part of these financial statements.

**Government of Bermuda - Consolidated Fund
Statement of Cash Flow
For the year ended March 31**

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Operating Activities | | |
| Annual Deficit ¹ | (215,342,185) | (323,966,675) |
| Items not affecting cash: | | |
| Amortization of Tangible Capital Assets | 46,735,105 | 53,692,780 |
| Increase in Pension and Retirement Benefits Liability | 78,102,509 | 104,635,075 |
| Increase in Compensated Absences Liability | 945,326 | 129,173 |
| Decrease in Non-Cash Working Capital | (54,861,807) | (70,710,764) |
| Cash Applied to Operating Activities | (144,421,052) | (236,220,411) |
| Capital Activities | | |
| Net Additions to Tangible Capital Assets | (22,588,823) | (16,502,182) |
| Net Deductions from (Additions to) Assets under Construction | 1,668,749 | (10,889,692) |
| Cash Applied to Capital Activities | (20,920,074) | (27,391,874) |
| Financing Activities | | |
| Debt issues | 150,000,000 | - |
| Decrease in Sinking Fund | 18,073,169 | 401,210,171 |
| Debt retirement | - | (120,000,000) |
| Cash Provided By Financing Activities | 168,073,169 | 281,210,171 |
| Net Increase in Cash and Cash Equivalents | 2,732,043 | 17,597,886 |
| Cash and Cash Equivalents, Beginning of Year | 39,416,834 | 21,818,948 |
| Cash and Cash Equivalents, End of Year | 42,148,877 | 39,416,834 |

¹ Interest received during the year was \$958,977 (2015 - \$7,322,029). Interest paid during the year was \$115,909,987 (2015 - \$115,545,809). Interest received is made up of interest income from the Statement of Operations in the amount of \$911,946 (2015 - \$2,553,694) plus the change in accrued interest receivable in the amount of \$47,031 (2015 - \$4,768,335). Interest paid is made up of interest expense from the Statement of Operations in the amount of \$116,220,689 (2015 - \$113,222,504) plus the change in accrued interest payable in the amount of \$310,702 (2015 - (\$2,323,302)).

Government of Bermuda – Consolidated Fund

Notes to the Financial Statements

March 31, 2016

1. Authority

The Consolidated Fund (the “Fund”) operates under the authority of the Bermuda Constitution Order 1968 and amendments, and the Public Treasury (Administration and Payments) Act 1969 and amendments.

All public money is paid into the Fund and legislative authority must be obtained for any expenditure out of the Fund.

The Legislature provides authority to make payments out of the Fund in annual Appropriation Acts, Supplementary Estimates and other statutes. Unspent current account appropriations lapse at the end of each fiscal year. Unspent capital account appropriations are carried forward to subsequent fiscal years, subject to the approval of the Minister of Finance.

2. Reporting Entity

The Fund’s financial statements report the financial position, results of operations, change in net debt and cash flow resulting from the activities of the Fund only, which comprise the accounts of the Senate, the House of Assembly, all Government departments and offices (including the Public Service Commission) and all courts. The Fund is established and defined pursuant to Section 94 of the Bermuda Constitution Order 1968.

These financial statements are not summary consolidated financial statements of the Government of Bermuda (the “Government”). Separate audited financial statements are prepared for all other Government organizations.

These financial statements are prepared in accordance with the legislative requirements as outlined in Sections 5 and 32A of the Public Treasury (Administration and Payments) Act 1969 and amendments.

The Government adheres to the general practice of using a Consolidated Fund as its general operating fund. Schedules 8 to 11 provide information concerning the operations, tangible capital assets and capital expenses of individual Government departments and funds comprising the Fund.

3. Summary of Significant Accounting Policies

The recommendations of the Public Sector Accounting Board and the Accounting Standards Board of the Chartered Professional Accountants of Canada (which are promoted by the Chartered Professional Accountants of Bermuda by signed agreement and therefore generally accepted in Bermuda) are the source for the disclosure basis of accounting.

(a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016**

3. Summary of Significant Accounting Policies (cont'd)

(b) Revenue

Revenues are accounted for in the fiscal year in which the transactions or events occurred that gave rise to the revenues.

Revenues not practicably measurable until cash is received are accounted for upon receipt.

Amounts received or receivable prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are reported as deferred revenue.

Payroll and corporate service tax are recognized when reported for the first three quarters and based on estimates for the last quarter. Land tax is recognized in the month the tax is due. Stamp duty is recognized upon completion of the review of the related legal documents. Non-Bermudian land acquisition tax is recognised when an application is made. Passenger tax, foreign currency purchase tax, hotel occupancy tax, betting tax and timesharing tax are recognized when reported.

Tax concessions result in a reduction of the revenue type for which relief is being provided.

(c) Expenses

Expenses are accounted for in the fiscal year that goods and services are acquired, a liability is incurred or grant payments are due.

Contributions to Government funds and agencies are expensed in the year the expenditure is made.

Classification of expenses between current account items and capital account items follows the classification in the Approved Estimates.

(d) Interdepartmental Revenues and Expenses

Interdepartmental revenues and expenses are not eliminated but are identified in Schedules 9(a) and 10(c), respectively.

(e) Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash and cash equivalents, accounts receivable, amounts due from Government funds and agencies, long-term receivables and investments in quasi-autonomous non-governmental organizations ("QUANGO"s).

Cash and cash equivalents include cash on hand and demand deposits that are readily convertible to known amounts of cash. These are subject to an insignificant risk of changes in value.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

3. Summary of Significant Accounting Policies (cont'd)

(e) Financial Assets (cont'd)

Accounts receivable, long-term receivables and amounts due from Government funds and agencies are recorded at cost. A provision is recorded when collection of the receivable or amounts due is considered doubtful.

Investments in QUANGOs are recorded at cost.

(f) Non-Financial Assets

Non-Financial assets are resources that are employed for future services. They include tangible capital assets, assets under construction, inventories for consumption and prepaid expenses. The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and are amortized over the estimated useful lives of the assets. Where original acquisition documents were difficult to retrieve, the Book Value Calculator, developed by the Chief Appraiser of Public Works and Government Services Canada (as modified by them to address the Bermuda Government situation), was used to establish reasonable estimates of the Net Book Values in order to develop opening balances.

Other tangible capital assets that do not meet the minimum threshold requirements for their respective asset class have continued to be charged to capital expenses in the year of purchase, which is consistent with prior years. These expenses are currently classified as capital development and capital acquisition expenses on Schedule 10, Expenses by Program. Included in the capital development and capital acquisition expenses are other significant items: capital grants, repairs and maintenance, professional fees and other items which are expensed as they are incurred. Tangible capital assets that have not yet been disclosed include historical treasures.

Amortization is recorded on a straight-line basis for all assets, according to the following:

| | |
|-------------------------|---|
| Buildings | 2 – 40 years |
| Leasehold Improvements | Remaining life or lease period of the related asset |
| Betterments | Remaining life or lease period of the related asset |
| Heavy Equipment | |
| \$10,000 to \$99,999 | 5 years |
| \$100,000 and above | 7 years |
| Vehicles | |
| 2 to 3 Wheeled Vehicles | |
| \$3,000 to \$99,999 | 5 years |
| \$100,000 and above | 7 years |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

3. Summary of Significant Accounting Policies (cont'd)

| | |
|---|---------------|
| 4 or More Wheeled Vehicles | |
| \$0 to \$99,999 | 5 years |
| \$100,000 and above | 7 years |
| Boats & Vessels | |
| \$10,000 to \$99,999 | 5 years |
| \$100,000 and above | 10 years |
| Capital Leases | |
| \$3,000 and above | 3 years |
| Computer Hardware | |
| \$3,000 to \$99,999 | 3 years |
| \$100,000 and above | 7 years |
| All laptops and desktop computers are capitalized | |
| Computer Software | |
| \$20,000 and above | 10 years |
| Furniture & Fixtures | |
| \$3,000 and above | 7 years |
| Office Equipment | |
| \$3,000 and above | 5 years |
| Plant, Machinery & Equipment | |
| \$50,000 and above | 10 – 30 years |
| Infrastructure | |
| \$50,000 to \$199,999 | 10 years |
| \$200,000 and above | 40 years |

The Ministry of Public Works is primarily responsible for Government's tangible capital assets. Amortization expense is reported under each respective department. Since amortization is a non-cash expense, it is removed for appropriation reporting purposes.

Assets under construction relate to the development of buildings, betterments, vehicles, computer hardware, computer software, infrastructure, office equipment and vessels. Upon completion, the balance of assets under construction will be transferred to tangible capital assets and amortized based on the appropriate useful life.

Tangible capital assets that have historical or cultural value, including works of art, historical documents, and historical and cultural artifacts, are not recognized as tangible capital assets in these financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

Inventories for consumption are comprised of spare parts and supplies that are held for future program delivery and are not intended for resale. They are valued at cost.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

3. Summary of Significant Accounting Policies (cont'd)

Inventories for consumption that no longer have service potential are valued at the lower of cost and net realizable value. Items for which the costs are not readily available have been valued using management's best estimates of original cost based on available information.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories for consumption that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

(g) Liabilities

Liabilities are recorded for financial obligations to organizations and individuals occurring as a result of transactions and events arising on or before the year-end. They occur as a result of contracts, agreements and legislation in force at the year-end that require the Government to repay borrowings or to pay for goods and services acquired or provided on or before the year-end. Liabilities also include grant payments due where no direct value is received in return.

(h) Translation of Foreign Currencies

The financial statements are reported in Bermuda dollars. The Bermuda dollar is valued at par with the United States dollar. Financial assets (excluding investments) and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the year-end date. Non-financial assets and investments are translated at historical rates of exchange. Revenues and expenses originating in foreign currencies are translated at the exchange rate in effect on the date the specific transactions occurred. Translation gains and losses are included in the Statement of Operations and Accumulated Deficit.

(i) Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate payroll and land taxes, accruals for pension obligations and retirement benefits, accruals for environmental obligations, allowances for doubtful receivables, estimated useful lives of tangible capital assets, future payments related to contingent liabilities and accruals for liabilities through actuarial valuations.

The nature of the uncertainty related to the accruals for pension obligations and retirement benefits arise because actual results may differ significantly from the Government's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of the participants.

3. Summary of Significant Accounting Policies (cont'd)

The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Government's responsibilities to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful receivables is based upon actual collectability and changes in economic conditions.

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future conditions in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements. Actual results could differ from these estimates.

(j) Risk Management

Funds are borrowed in both domestic and foreign capital markets by issuing Government senior notes and using bank loans and other credit facilities. This borrowing activity is used to fund government capital expenditure programs and other budgeted governmental operations. These transactions result in exposure to four types of risk: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates. This risk is managed by issuing debt securities as predominately fixed rates of interest rather than floating rates of interest for fixed terms.

Foreign exchange risk is the risk that debt servicing costs will increase due to a decline of the Bermuda dollar relative to other currencies. This risk is managed by maintaining a preference for debt that is issued predominately in United States ("US") dollars. The Bermuda dollar is pegged to the US dollar to eliminate the impact of any fluctuations in the exchange rates between the two.

Credit risk is the risk that a loss might occur from the failure of another party to meet its obligations under a derivative financial instrument contract. The risk is managed by issuing debt securities that have no derivatives as the underlying securities. The debt instruments are senior notes of the Government and loan facilities with a domestic lender.

Liquidity risk is the risk that financial commitments will not be met over the short term. This risk is managed through the establishment of the Government Borrowing Sinking Fund as a separate legal entity for the repayment of government debt and to pay interest charged on long-term public debt under the provisions of the Government Loans Act 1978 as amended.

(k) Future Changes in Accounting Standards

Each year new standards and amendments to standards may be issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The standards following are not yet effective and have not been applied in preparing these financial statements.

Government of Bermuda – Consolidated Fund

Notes to the Financial Statements

March 31, 2016

3. Summary of Significant Accounting Policies (cont'd)

PS 2200 Related party disclosures – a new standard that defines a related party and establishes disclosures required for related party transactions. PS 3420 Inter-entity transactions – a new standard that establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. PS 3210 Assets – a new standard that provides guidance for applying the definition of assets set out in PS 1000, and establishes general disclosure standards for assets. PS 3320 Contingent assets – a new standard that defines and establishes disclosure standards on contingent assets. PS 3380 Contractual rights – a new standard that defines and establishes disclosure standards on contractual rights. Each of these new standards becomes effective for fiscal years beginning on or after April 1, 2017.

PS 3450 Financial Instruments – a new standard providing guidance on the recognition, measurement, presentation and disclosure of financial instruments, including derivatives. PS 1201 Financial Statement Presentation – replaces PS 1200 with revised general reporting principles and standards of presentation and disclosure in government financial statements. PS 2601 Foreign Currency Translation – replaces PS 2600 and has revised standards on accounting for and reporting transactions denominated in a foreign currency. Each of these new standards becomes effective for fiscal years beginning on or after April 1, 2019.

The Government does not intend to adopt these new standards prior to the effective dates. The impact that these standards will have on the financial statements is not deemed significant.

4. Approved Estimates of the Government

(a) Budget Process

Annually, the Government presents a Budget (“Estimates”) of expected revenues and expenditures for the following fiscal year. The Government's spending Estimates for the fiscal year commencing April 1, 2015 were presented to the Members of the Legislature by the Minister of Finance. The Estimates outline the spending plans of each Ministry/Department submitted for approval to the Legislature in the Appropriations Act.

The Estimates referred to in the financial statement Schedules 8, 9, 10(a) and 10(b) are from the original Approved Estimates of Revenue and Expenditure for the fiscal year 2015/16 and do not reflect changes arising from the tabling of Supplementary Estimates, except for the Adjusted Estimates referred to in Schedule 12 which include the original Approved Estimates and any tabled Supplementary Estimates.

(b) Comparison of Expenses to Estimates and Expenditures

The Ministry of Finance prepares annual Estimates on the modified cash basis. These financial statements are prepared on an accrual basis. Due to the difference in accounting, Schedule 12 restates actual expenses to the modified cash basis for

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

4. Approved Estimates of the Government (cont'd)

comparative and analytical purposes against the adjusted estimates. The most significant differences are as follows:

- (i) Bad Debts – For financial statement purposes, a provision is established and expensed for accounts receivable where collection is doubtful. For budget purposes, no such provision is made.
- (ii) Pension – The financial statement pension-related expense is explained in Note 9. For budget purposes, pension expense is equal to its funding requirements.
- (iii) Government Borrowing Sinking Fund (Note 5) – Transfers to the Sinking Fund are recorded as cash transfers against long-term debt. For budget purposes, the Sinking Fund contribution is considered expenditure.
- (iv) Compensated Absences – Certain Government employees are entitled to paid retirement leave, as explained in Note 8. For budget purposes, retirement pay is estimated based on anticipated salary spending for the current year.
- (v) Amortization – For financial statement purposes, annual amortization of tangible capital assets is expensed based on the respective assets as explained in Note 3(f). For budget purposes, amortization is not considered expenditure.
- (vi) Environmental Liability – As explained in Note 10(c), the Government has recognized a cost of restoration of land. For budget purposes, the liability established is not considered expenditure.

5. Government Borrowing Sinking Fund

Effective March 31, 1993, the Government Borrowing Sinking Fund (the “GBSF”) was established as a separate legal entity for the repayment of Government borrowing under the provisions of the Government Loans Act 1978 as amended.

During each financial year, the Fund must pay to the GBSF 2.5% of the public debt outstanding in the Fund at the end of the preceding year. Under Section 12AA of the Government Loans Act 1978 as amended, the Minister may, by Order, suspend the annual contribution for a period of twelve months.

| 2015 | 2016 | | | 2016 |
|---------------------|----------------------|-----------------|-----------------|---------------------|
| \$ | \$ | | | \$ |
| Sinking Fund | Contributions | Earnings | Payments | Sinking Fund |
| 135,347,558 | 47,948,130 | 914,645 | (66,935,944) | 117,274,389 |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

5. Government Borrowing Sinking Fund (cont'd)

Up until 2013, the GBSF assets were only to be applied to reduce, cancel or pay interest on public debt. In 2013 the Government Loans Act 1978 was amended to allow excess funds borrowed to be paid into the Sinking Fund and applied to future year deficits. The assets are invested in accordance with the Public Funds Act 1954 and are shown as a reduction of debt issued on the Fund's Statement of Financial Position.

The assets of the GBSF are comprised of the following:

| | 2016 | 2015 |
|-------------------------|-------------|-------------|
| | \$ | \$ |
| Cash & Cash Equivalents | 64,401,342 | 133,295,667 |
| Temporary Investments | 52,873,047 | 2,051,891 |

The following is a schedule of projected contributions to the GBSF by the Fund up to March 31, 2021, based on estimated debt levels to March 31, 2017:

| | \$ |
|----------|------------|
| For 2017 | 58,375,000 |
| For 2018 | 62,100,000 |
| For 2019 | 62,100,000 |
| For 2020 | 62,100,000 |
| For 2021 | 62,100,000 |

There are separate audited financial statements for the GBSF to which readers should refer for further information.

6. Contingencies Fund

On March 14, 1979 the House of Assembly passed a resolution to withdraw \$1 million from the Fund to set up a Contingencies Fund under the provisions of Section 10(1) of the Public Treasury (Administration and Payments) Act 1969 as amended.

The purpose of the Contingencies Fund is to allow the Minister of Finance to authorize urgent and unforeseen expenditures up to \$1 million prior to the approval of the Legislature by supplementary estimate. The Contingencies Fund balance is not segregated from general operating cash and cash equivalents and accumulated deficit.

Government of Bermuda – Consolidated Fund

Notes to the Financial Statements

March 31, 2016

7. Unemployment Insurance Fund

The Unemployment Insurance Fund (the “Insurance Fund”) was established March 18, 2002 by amendment to the Public Treasury (Administration and Payments) Act 1969 as amended under the provisions of Section 10B. The Legislature authorized \$1 million to be set aside within the Fund to set up the Insurance Fund.

The Minister of Finance will pay amounts approved by the Legislature as Government’s contribution to the Insurance Fund. Monies paid into the Insurance Fund will be invested in accordance with the Public Funds Act 1954 and the interest earned on such investments will be paid into the Insurance Fund.

On August 10, 2011 the Government amended the Public Treasury (Administration and Payments) Act 1969 as amended in order to make further provisions about the Insurance Fund. The Act was amended to provide for payments out of the Fund to be made at the direction of the Minister of Finance for the purpose of assisting unemployed persons.

8. Compensated Absences

Certain Government employees are entitled to paid retirement leave under the various union agreements that exist with the Government. Paid retirement leave is available to those eligible employees with a minimum of ten years credited service, who are retiring on the basis of age. The leave is paid at the salary level immediately preceding the date of retirement, to a maximum eligibility of twelve weeks.

The Government offered a Voluntary Early Retirement Incentive Plan (“VERIP”) in February 2015 which allowed certain eligible employees to commence retirement. The retirements were effective on March 31, 2015 or June 30, 2015 if employed in the education sector. The VERIP resulted in a curtailment gain of \$677,003 as at March 31, 2015. The VERIP was extended to allow retirements in fiscal 2016. Eligible employees who accepted, retired on September 30, 2015 or June 30, 2016 if employed in the education sector. This extension of the VERIP resulted in a curtailment gain of \$239,725 as at March 31, 2016 which is comprised of a decrease in accrued benefit obligation of \$209,175 and recognition of unamortized gains of \$30,550.

An actuarial valuation of the Government’s obligation for retirement leave was performed at March 31, 2014. The results were then extrapolated to March 31, 2016, using similar various long-term assumptions as the Public Service Superannuation Fund (the “PSSF”) pension plan (Note 9 (b)). The extrapolation determined that the accrued benefit obligation for retirement leave is currently \$27,257,382 (2015 - \$26,312,056), as defined in the table below.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

8. Compensated Absences (cont'd)

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Accrued benefit obligation, beginning of year | 26,312,056 | 26,182,883 |
| Amortization of experience loss | (374,428) | (384,062) |
| Current period benefit cost | 1,255,868 | 1,211,397 |
| Interest accrued | 1,461,363 | 1,411,148 |
| Benefit payments | (1,157,752) | (1,432,307) |
| Curtailment gains | (239,725) | (677,003) |
| | <hr/> | <hr/> |
| Accrued benefit obligation, end of year | <u>27,257,382</u> | <u>26,312,056</u> |

9. Pensions and Retirement Benefits

(a) Contributory Defined Benefit Pension Plans

The Government administers contributory defined benefit pension plans for substantially all of its employees, QUANGO employees and all ministers and members of the Legislature. There are two plans currently in operation – the PSSF and the Ministers and Members of the Legislature Pensions Fund (the “MMLPF”).

For the PSSF, a service pension is available with a minimum of 8 years credited service. Subject to exceptions as outlined in the Public Service Superannuation Act 1981, it is based on the number of years of service times 1.5% of the salary payable immediately preceding the date of retirement. Additional benefits are provided to special groups such as police, corrections and fire services officers.

For the MMLPF, a service pension is generally available to contributors who have reached age 60 and have served for at least 8 years, or to contributors who have reached age 55 and have served for at least 20 years. The rate of pension is 3/1000th of the monthly salary payable to a minister, member or officer, on the date on which the contributor becomes entitled to receive a pension, for each month of service rendered up to a maximum of 25 years.

Employees contribute 8.0% of their basic salary to the PSSF and Ministers and Members contribute 12.5% of their salary to the MMLPF. The Government matches the participants' contribution in each plan. The amount of Government contributions made during the year for each plan was as follows: PSSF - \$30,527,748 (2015 - \$31,926,513), MMLPF - \$435,249 (2015 - \$438,770). The Public Service Superannuation Act 1981 and the Ministers and Members of the Legislature (Salaries and Pensions) Act 1975, as amended, provide that, if at any time the funds are insufficient to meet the payments chargeable against them, the deficiency shall be made up out of the Fund.

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016**

9. Pensions and Retirement Benefits (cont'd)

(b) Pension Liability

Normally, the pension liability is calculated on an actuarial basis. Actuarial valuations are performed triennially using the projected benefit method, pro-rated on services. An actuarial valuation was performed on both the PSSF and the MMLPF as at March 31, 2014. The results were then extrapolated to March 31, 2016 using the same assumptions, to produce the estimates included in the financial statements.

Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, employee turnover and mortality. The assumptions used reflect Government's best estimates of expected long-term rates and short-term forecasts.

The most significant assumptions are that the average investment return will be greater than the average rate of salary increase by approximately 2.25% (prior valuation – 2.25%) and the cost of living increase will be 0% per annum (prior valuation – 3.0%), suspended as at March 31, 2014.

As at March 31, 2014, the Government adopted the new Canadian CPM2014Publ scale (with full generational mortality improvement, using Scale CPM-B for the mortality assumption). The adoption of these tables resulted in a material increase in the projected accrued benefit obligations ("ABO") of the funds for 2014. The Government recognized the cost of adopting the new mortality tables in the year ended March 31, 2014.

For the PSSF, pension fund assets consist primarily of listed stocks and bonds, short-term investment funds, hedge funds and private equity investments. Market-related asset values, which recognize the differences between the actual return on assets and the expected return on assets over a period of five years, have been used to determine the pension liability and pension-related expenses for the PSSF.

The market-related value of assets for the PSSF was \$590,445,169 as at March 31, 2016 (2015 - \$592,021,374) compared to a real market value of \$535,689,469 (2015 - \$586,607,274).

For the MMLPF, there is no difference between the market value of plan assets and the market-related value. As at March 31, 2016, the value was \$12,765,139 (2015 - \$12,782,000). The actual return on plan assets during the year was -3.7% (2015 - 1.85%) for the PSSF and 7.18% (2015 - 7.00%) for the MMLPF.

As at March 31, 2016, \$2,754,002 was due from the PSSF (2015 - \$7,275,843 due to PSSF) in respect of benefits paid in excess of contributions received by the Fund (Schedule 3). As at March 31, 2016, \$13,004,038 (2015 - \$13,012,088) was due to the MMLPF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)).

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016**

9. Pensions and Retirement Benefits (cont'd)

(c) Pension-Related Expenses

Pension-related expenses recognized by the Fund comprise the cost of pension benefits earned by employees during the year, interest on the pension benefit liability (net of interest on pension plan assets) and amortization of the Government's share of any experience gains or losses, less contributions made by the employees. The estimated total cost of the Government's share of plan amendments related to past service is expensed in the year the plan is amended. The pension-related expense is disclosed in Schedule 10(a) as a component of pensions and retirement benefits expense.

In the year ended March 31, 2015 the Government adopted a VERIP whereby, if approved, eligible employees could retire on March 31, 2015 or June 30, 2015 if employed in the education sector. This Plan change resulted in prior service cost charge of \$1,028,000. This charge will be offset against the unamortized actuarial gains and fully recognized in the Statement of Operations and Accumulated Deficit. The VERIP was extended to allow retirements in fiscal 2016. Eligible employees whose applications were accepted, retired on September 30, 2015 or June 30, 2016 if employed in the education sector. This extension of the VERIP resulted in a prior service gain of \$374,000 which was immediately recognized in the Statement of Operations and Accumulated Deficit in the year ended March 31, 2016.

Aggregate information about the PSSF and MMLPF is in the following tables.

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016**

9. Pensions and Retirement Benefits (cont'd)

(d) Funded Status of Plans

| For the year ended March 31 | 2016 Actual | 2015 Actual |
|--|----------------------|----------------------|
| | \$ | \$ |
| Pension Liability | | |
| Accrued Benefit Obligation | | |
| PSSF | 1,476,590,000 | 1,423,120,000 |
| MMLPF | 32,115,000 | 31,077,000 |
| | <u>1,508,705,000</u> | <u>1,454,197,000</u> |
| Net Fund Assets | | |
| PSSF | (590,445,000) | (592,021,000) |
| MMLPF | (12,765,000) | (12,782,000) |
| | <u>(603,210,000)</u> | <u>(604,803,000)</u> |
| Net Unamortized Experience (Loss) Gain | | |
| PSSF | (13,677,000) | 2,636,000 |
| Pension Liability | | |
| PSSF | 872,468,000 | 833,735,000 |
| MMLPF | 19,350,000 | 18,295,000 |
| Carried Forward to Note 9 (g) | <u>891,818,000</u> | <u>852,030,000</u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

9. Pensions and Retirement Benefits (cont'd)

| For the year ended March 31 | 2016 Actual \$ | 2015 Actual \$ |
|---|----------------------|----------------------|
| Pension Expense | | |
| Cost of Pension Benefits | 46,919,000 | 49,345,000 |
| Employee Contributions | (30,963,000) | (32,366,000) |
| Interest on Pension Liability | 56,223,000 | 54,002,000 |
| Prior Period Service Costs | (374,000) | - |
| Recognition of Unamortized Net Actuarial Losses | - | - |
| Amortization of Experience Gains & Losses | | |
| 2016 Experience Gain | (293,000) | - |
| Pensions and Retirement Benefits Expense excluding Employer Contribution | <u>71,512,000</u> | <u>70,981,000</u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

9. Pensions and Retirement Benefits (cont'd)

Value of Obligations Relating to Benefits for the Pension Plans

The value of obligations relating to benefits for the pensions plan at a given date is determined using the actuarial projections prorated on service, taking into account, among other things, the most probable long-term economic assumption made by the Government.

Main economic assumptions used:

| | PSSF (%) | MMLPF (%) |
|-------------------------------|---------------------------|----------------------------|
| Inflation Rate | 3.00 | 3.00 |
| Discount Rate for Obligations | 6.50 | 6.50 |
| Salary Escalation Rate | 4.25 | 3.50 |

Changes in these assumptions may lead to a material increase or decrease in the value of the obligations relating to vested benefits. The following tables, which take the main assumptions into account, show the potential impact of a difference of 1.00% in the value of the obligations for the two pension plans, PSSF and MMLPF. The tables also show the impact of a one-year difference in life expectancy, considering that, according to current assumptions, the life expectancy of beneficiaries aged 60 is 21.8 years for men and 25.6 years for women.

Impact of changes on the main assumptions on the value of obligations relating to PSSF benefits as at March 31, 2016:

| Assumption | Change | Impact on ABO (\$) | Impact on ABO (%) |
|----------------------|-----------------|-------------------------------------|------------------------------------|
| Discount rate | 1.0% increase | (154,560,000) | (10.5) |
| | 1.0% decrease | 190,955,000 | 12.9 |
| Salary increase rate | 1.0% increase | 55,719,000 | 3.8 |
| | 1.0% decrease | (50,076,000) | (3.4) |
| Life expectancy | 1 year increase | 23,217,000 | 1.6 |
| | 1 year decrease | (24,565,000) | (1.7) |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

9. Pensions and Retirement Benefits (cont'd)

Impact of changes on the main assumptions on the value of obligations relating to MMLPF benefits as at March 31, 2016:

| Assumption | Change | Impact on ABO (\$) | Impact on ABO (%) |
|----------------------|-----------------|-----------------------|----------------------|
| Discount rate | 1.0% increase | (3,037,000) | (9.5) |
| | 1.0% decrease | 3,626,000 | 11.3 |
| Salary increase rate | 1.0% increase | 723,000 | 2.3 |
| | 1.0% decrease | (675,000) | (2.1) |
| Life expectancy | 1 year increase | 849,000 | 2.6 |
| | 1 year decrease | (759,000) | (2.4) |

(e) Contributory Pension Fund

The Contributory Pension Fund (the “CPF”) was established under the Contributory Pensions Act 1970 as amended. The purpose of the CPF is to provide old age pension, disability and death benefits for persons satisfying certain contribution, citizenship and residency requirements.

Contributions to the CPF are compulsory for persons employed in Bermuda, the self-employed and employers. There is no legislative provision for the Fund to provide for any shortfall if, at any time, the CPF has insufficient funds to meet its current legislated obligations.

(f) Retirement Benefits Other than Pensions – Employee Health Insurance Plan

The Government administers a health care plan, the Government Employees Health Insurance Fund (the “GEHI Fund”), for substantially all of its employees, QUANGO employees, all ministers and members of the Legislature and retirees. The GEHI Fund provides medical insurance for retirees and eligible dependents with the Government matching the participants’ contribution to the plan.

An actuarial calculation of the Government’s obligations for retirement benefits other than pensions was performed for accounting purposes at March 31, 2014, using various long-term assumptions. The results were then extrapolated to March 31, 2016 to produce the estimates included in the financial statements.

The discount rate used in determining the accumulated post-retirement benefit obligation was 6.5% (2015 – 6.5%). The assumed health-care cost trend rate used was 8.0% (2015 – 8.5%). This will be decreasing by 0.5% per annum to 5.0% per annum by 2022.

As at March 31, 2014, the Government adopted the Canadian Pensioner Mortality Table for Public Sector (CPM2014Publ) for the mortality assumption. The value accrues a liability in respect of the matching premium paid by Government under the insurance arrangement in respect of retired employees. The calculation is based on the projected benefit method pro-rated on service.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

9. Pensions and Retirement Benefits (cont'd)

In the year ended March 31, 2015 the Government adopted a VERIP whereby, if approved, eligible employees could retire on March 31, 2015 or June 30, 2015 if they were in the education sector. The VERIP resulted in a curtailment charge of \$1,700,684. The VERIP was extended to allow retirements in fiscal 2016. Eligible employees whose applications were accepted, retired on September 30, 2015 or June 30, 2016 if they were in the education sector. This extension of the VERIP resulted in a curtailment charge of \$482,438 as at March 31, 2016, which is comprised of an increase in the benefit obligation of \$533,100 and recognition of unamortized gains of \$50,662.

As at March 31, 2015, changes to members and retirees contribution rates under the Plan gave rise to a past service gain of \$45,442,200 which was fully offset by the reduction in unamortized loss balance, and as such there is no effect on the Statement of Operations and Accumulated Deficit. With effect from January 1, 2016 there was a further increase in the member contribution rate and this along with the favorable change in the Government's contribution rate has given rise to a gain of \$60,252,422 as at March 31, 2016.

Aggregate information about the health care plan is in the table below:

| | 2016 | 2015 |
|--|-------------|--------------|
| | \$ | \$ |
| Accrued benefit obligation at beginning of year | 423,134,021 | 512,755,500 |
| Current period benefit cost | 15,540,300 | 20,211,100 |
| Interest accrued | 27,735,634 | 33,747,698 |
| Past service gain | - | (45,442,200) |
| Benefit payments | (8,404,218) | (7,331,399) |
| Curtailment impact | 533,100 | 1,455,300 |
| | <hr/> | <hr/> |
| Accrued benefit obligation at end of year | 458,538,837 | 515,395,999 |
| | <hr/> | <hr/> |
| Expected accrued benefit obligation at end of year | 458,538,837 | 515,395,999 |
| Actual accrued benefit obligation at end of year | 398,286,415 | 423,134,021 |
| | <hr/> | <hr/> |
| Experience gain | 60,252,422 | 92,261,978 |

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016**

9. Pensions and Retirement Benefits (cont'd)

| | 2016 | 2015 |
|---|-------------|--------------|
| Expected average remaining service life | 11 years | 11 years |
| Annual amortization | \$2,960,355 | \$18,476,992 |

Liability for retirement benefits recorded in the statement of financial position

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Accrued benefit obligation, end of year | 398,286,415 | 423,134,021 |
| Unamortized experience gain (loss) | 37,748,714 | (25,413,401) |
| Liability for retirement benefits (Note 9(g)) | <u>436,035,129</u> | <u>397,720,620</u> |

Expenses recorded in the statement of operations and accumulated deficit

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Current period benefit cost | 15,540,300 | 20,211,100 |
| Amortization of experience losses | <u>2,960,355</u> | <u>18,476,992</u> |
| Retirement benefit expense | 18,500,655 | 38,688,092 |
| Retirement benefit interest expense | 27,735,634 | 33,747,698 |
| Past service cost | - | - |
| Curtailement impact | 482,438 | 1,700,684 |
| Total expenses related to retirement benefits | <u>46,718,727</u> | <u>74,136,474</u> |

(g) Accrued Pensions and Retirement Benefits Liability and Expense Summary

| | 2016 | 2015 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Pensions (Note 9(d)) | 891,818,000 | 852,030,000 |
| Retirement Benefits other than Pensions – Health Insurance Plan (Note 9(f)) | <u>436,035,129</u> | <u>397,720,620</u> |
| Total Pensions and Retirement Benefits Liability | <u>1,327,853,129</u> | <u>1,249,750,620</u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

9. Pensions and Retirement Benefits (cont'd)

| | | | 2016 \$ | 2015 \$ |
|---|------------------|-------------------|--------------|--------------|
| | Pension Plans | Other Benefits | Total | Total |
| Plan amendments gain | (374,000) | - | (374,000) | (46,470,200) |
| Recognition of unamortized net actuarial losses | - | - | - | 46,470,200 |
| Gain on benefit plans amendments | (374,000) | - | (374,000) | - |
| Current period benefit cost | 46,919,000 | 16,796,168 | 63,715,168 | 70,767,497 |
| Amortization of experience losses | (293,000) | 2,585,927 | 2,292,927 | 18,092,930 |
| Employee contributions | (30,963,000) | - | (30,963,000) | (32,366,000) |
| Interest on accrued benefits | 56,223,000 | 29,196,997 | 85,419,997 | 89,160,846 |
| Employer contributions | (31,724,000) | (9,561,970) | (41,285,970) | (41,914,706) |
| Curtailment impact | - | 242,713 | 242,713 | 1,023,681 |
| Pensions and retirement benefits expense | 40,162,000 | 39,259,835 | 79,421,835 | 104,764,248 |

10. Contingent Liabilities

(a) Guarantees

(i) National Education Guarantee Scheme

In August 1994, the Government introduced the National Education Guarantee Scheme to provide qualifying students with financial guarantees on bank loans for post-secondary education. The repayment of principal and accrued interest is guaranteed by the Government. In the event of default by the student, the banks will call on the guarantee contract. At March 31, 2016, \$9,965 (2015 - \$15,755) is outstanding on guaranteed student loans with local banks.

(ii) West End Development Corporation (“WEDCO”) Guarantee

On April 1, 2009, the Minister of Finance consented to the borrowing of \$10 million by WEDCO from Clarien Bank (formerly Capital G Bank) to facilitate the completion of the new Sewage Treatment Plant at Dockyard.

The Minister of Finance further approved the guarantee given by the Ministry of Public Works to repay the indebtedness by way of annual payments to WEDCO until all indebtedness to Clarien Bank has been fully discharged.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

10. Contingent Liabilities (cont'd)

The Ministry of Public Works further guarantees and will make good any default on the part of WEDCO in the payment of the loan to Clarien Bank and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to Clarien Bank has been fully discharged. At March 31, 2016, \$1,428,574 (2015 - \$2,857,145) is outstanding on WEDCO's indebtedness to Clarien Bank (Schedule 5).

(iii) Bank of N.T. Butterfield Guarantee Agreement

On June 12, 2009, the Government assisted The Bank of N.T. Butterfield & Son Limited ("BNTB") in raising qualifying Tier 1 capital via a perpetual preference share offering of US\$200 million.

Accordingly the Government provided the commitment that if the full \$200 million Preference Share Offering was not achieved on or prior to June 30, 2009, the Government would purchase no later than June 30, 2009 such number of Preference Shares as was sufficient to ensure that the Bank realized aggregate proceeds equal to and not less than US\$200 million. As the offering was fully subscribed, no such Government purchase was necessary.

On June 22, 2009, the Government entered into a Preference Shares Guarantee Agreement with BNTB and others. The Government has guaranteed payment of 100% of the liquidation value of the outstanding Preference Shares in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of BNTB during the term of the guarantee. Also, the Government will act as a guarantor for the dividend payments relating to the Preference Shares issuance. Should the BNTB fail to declare and pay dividends in any quarterly dividend period during the term of the guarantee, the Government will pay such dividends at 8% per annum. As at March 31, 2016, Preference Shares with a liquidation value of \$182.9 million remained outstanding.

Pursuant to the Preference Share Offering, BNTB pays to the Government a fee of 1% per annum on the liquidation value of then outstanding Preference Shares issued to third party investors. The Government was in receipt of 4,279,601 warrants issued by BNTB to purchase a number of non-voting common shares of BNTB having an aggregate market price equal to US\$30 million. The warrants expire on June 22, 2019. The initial exercise price for the warrants and the price for determining the number of common shares of BNTB subject to the warrants was \$7.01 per common share. The quantity of warrants is now 432,061 (2015 - 432,061) with an exercise price of \$34.72 (2015 - \$34.72). Per the valuation model run for March 31, 2016, the value of the warrants is \$0.008 (2015 - \$0.002) per warrant which represents a total value of \$3,400 (2015 - \$8,641). Note that the quantity of warrants and exercise price, including the comparatives in parentheses have been adjusted to reflect a September 6, 2016 BNTB 10-for-1 reverse share split.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

10. Contingent Liabilities (cont'd)

(iv) Bermuda Hospitals Board (the “BHB”) Guarantee

On December 1, 2010, the Minister of Finance provided an irrevocable Guarantee to Paget Health Services Limited on behalf of the BHB to facilitate the completion of the new acute care wing (the “New Facility”) of the King Edward VII Memorial Hospital in Paget. The design and construction-related costs of the New Facility were approximately \$247 million. The Annual Service Payments commenced from June 12, 2014, the Service Commencement date, for a period of approximately thirty years, consisting of principal, interest, lifecycle and hard facilities management. A portion of the Annual Service Payment is indexed over the thirty year period to allow for changes in the cost of living and other related facility costs. The current year’s Annual Service Payment was \$25.7 million (2015 – \$21.4 million).

The Guarantee agreement guarantees the payment obligations of the BHB to Paget Health Services Limited by the Government, as required by the lenders.

(v) Bermuda Economic Development Corporation (the “BEDC”) Guarantee

The Government provides funding to the BEDC to facilitate the function of the QUANGO as a guarantor on business loans for locally owned businesses in Bermuda. The Government provides funding to fulfill the payment obligations of the BEDC for defaulted loans.

While the Government settles defaulted loans as required, there is no liability recorded and no provision for loans in default is included in the financial statements of the Fund. The total of specific amounts deemed contingent liabilities of the Government, as determined by the BEDC, as at March 31, 2016 is \$1,480,651 (2015 - \$1,483,764).

(vi) Morgan’s Point Letter of Comfort & Guarantee

On August 12, 2013 the Government provided a letter of comfort to the Morgan’s Point hotel developer, Morgan’s Point Limited (“MPL”) to confirm the Government’s willingness to consider credit enhancement for the project. This letter was required so that MPL could begin discussions with potential lenders for the project’s financing. On March 14, 2016, the Minister of Finance provided irrevocable Guarantee Agreements to lenders, replacing the letter of comfort, providing certain credit facilities on behalf of MPL for use in the construction of a new hotel and condominium project at Morgan’s Point to be branded and managed as a member of the Ritz Carlton hotel and residences brands. The guarantees provide that the Government cannot be legally required to fund more than US\$165 million to repay the lenders if the borrowers are unable to perform their obligations to the lenders. The financing guaranteed is provided under separate groups of loans each maturing in five years with two 1 year options to extend.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

10. Contingent Liabilities (cont'd)

In November 2014, the Minister of Finance provided a US\$5million irrevocable Guarantee Agreement to Arch Reinsurance Limited (“Arch”) on behalf of MPL. This guarantee was extinguished in March 2016 in conjunction with the provision of the guarantees discussed above.

(b) Claims and Potential Claims

The Government is subject to claims and potential claims related to breach of contract, damages to persons and property and like items. The effect of legal claims cannot be determined until they are settled or dismissed. No liability has been admitted and no provision for claims is included in the financial statements. Any resulting losses will be recorded and charged to operations in the year an amount can reasonably be determined.

The total of specific amounts claimed or potential settlements which are under litigation or possible litigation as at March 31, 2016 is \$13,821,429 (2015 - \$15,512,294).

(c) Base Lands Clean Up

The Government recognizes that there will be a cost for restoration of the land at the bases formerly occupied by the US military. It is anticipated that such costs would include removal of hazardous materials and clean-up.

A liability of \$34,435,975 (2015 - \$36,820,519) has been accrued, which is an estimate of the remaining costs of the clean-up and remediation at the three former major base land sites. The estimated range is \$28.9 million to \$41 million.

The cost for Southside (estimated at \$10.5 million, with a range of \$10.5 million to \$20 million) involves demolition of buildings beyond refurbishment and removal of asbestos.

The cost for clean-up of Tudor Hill (estimated at \$1 million, with a range of \$1 million to \$2 million) is for removal of asbestos and demolition of buildings on the site.

Clean-up of Morgan’s Point is estimated at \$17.4 million (with a range of \$17.4 million to \$19 million) to remove environmental hazards and fuel storage tanks, removal and remediation of asbestos, as well as demolition of derelict buildings. To be conservative, the Morgan’s Point provision remains at \$22.9 million, comprised of the prior year provision less actual expenditures incurred during the current year.

The Government signed the Morgan’s Point Exchange Agreement with Southlands Limited and MPL. The agreement exchanged 12.454 hectares of land owned by Southlands Ltd., located in Warwick, for 66.82 acres of freehold land at Morgan’s Point in Southampton. Furthermore, the agreement provides MPL, as the Developer, the ability to develop an additional 128.46 acres of Leasehold property at Morgan’s Point, as further detailed in the Morgan’s Point Land Development Agreement, also signed and dated April 8, 2011, amongst the same parties.

Article 6 of the Morgan’s Point Land Development Agreement, states the Government is still responsible for the remediation of the Morgan’s Point property to international standards deemed reasonably acceptable to the Developer. These standards are met in the request for proposal issued in 2009.

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Notes to the Financial Statements
March 31, 2016

10. Contingent Liabilities (cont'd)

(d) Hotels Concession Act 2000 and the Memorandum of Understanding for Bermuda Hotel Association, Restaurants and Retail Relief

On February 21, 2009, the Government entered into a Memorandum of Understanding (“MoU”) with the Bermuda Hotel Association to provide payroll tax relief to eligible hotels. An assessment of the results, trading conditions and the points within the original MoU were to be reviewed quarterly so that consideration could be given to an extension of all deferrals and relief for as long as the economic situation required.

On August 20, 2010, the Government entered into a similar MoU with the Restaurant Division of the Bermuda Chamber of Commerce to provide payroll tax relief to qualifying restaurants for the employer portion of the payroll tax and later also a reduced payroll tax rate for employees.

On October 1, 2011, the Government announced a payroll tax relief programme for the Retail Sector which provided full relief from payroll tax to businesses that met the criteria of a Retail establishment.

The percentage relief provided under all three relief programmes has been scaled back as of April 1, 2015 and will continue to be scaled back over the next two fiscal years with the expectation that they will expire on March 31, 2018.

The Hotels Concession Act 2000 allows for the full or partial exemption from or deferral of payroll tax, land tax and hotel occupancy tax for hotels which undergo development deemed to be in the national economic interest of Bermuda as if it is determinable that the development is likely, among other considerations:

- to benefit the tourism industry and the economy;
- to create employment and entrepreneurial opportunities for Bermudians;
- to encourage local development; or
- to employ and train Bermudians.

The concessions are granted at the discretion of the Minister of Tourism Development and Transport with the written agreement of the Minister of Finance for those hotels that apply for the concessions.

The concessions afforded to the hotels are non-refundable and in instances where the payroll tax is deemed null and void due to the MoU, the concessions remain as a contra revenue amount to be applied against any future payroll tax incurred by those hotels.

The Government is obligated to recognize the effect of the concessions when payroll tax is actually incurred unless they are dismissed by the Minister of Finance. No liability has been admitted and no provision for collectability is included in the financial statements.

Hotel concessions are foregone revenue and reduce taxes otherwise owing by the hotels in the year the taxes are due.

The total of the hotel concessions granted as at March 31, 2016 is \$1,098,833 (2015 - \$3,322,234) which may be applied against any future payroll tax or hotel occupancy tax incurred by the applicable hotels.

In addition to this amount, \$36,118,898 (2015 - \$35,485,398) is available for use but has not yet been granted by the Ministry of Tourism Development and Transport as per the terms and conditions of the individual orders.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

10. Contingent Liabilities (cont'd)

In March 2014, with an operative date of February 27, 2015, the Morgan's Point Resort Act 2014, which includes hotel concessions was tabled in the House of Assembly. This act was approved. The total value of concessions to be applied in the future against payroll and hotel occupancy taxes under this act is conservatively estimated to be \$20,000,000 over a period of ten years and is not capped. The land tax concession in this act cannot be determined as the structure does not exist and is not capped.

(e) Air Service Agreements

As at March 31, 2016, the Government has signed agreements with two commercial airlines whereby in consideration of providing regular scheduled air service to Bermuda, the Government commits to pay the airlines a calculated sum if there is a financial shortfall on the routes. The agreements vary in detail, but guarantee the airlines either a certain level of revenue or a specific level of profit on a particular route. Shortfalls occur when ticket revenues are insufficient to cover the cost of operating the routes, either due to insufficient passenger numbers or discounted tickets to attract passengers.

The estimated liability for Air Service Agreements as at March 31, 2016 is \$1,154,882 (2015 - \$1,181,006). In accordance with the agreements, Government established and delivered to two commercial airlines irrevocable Letters of Credit ("LOC") issued by HSBC Bank of Bermuda Ltd. ("HSBC"), for US\$500,000 and BNTB for US\$900,000.

(f) America's Cup Related Concessions

In February 2015, the Minister of Economic Development tabled the America's Cup Act 2015 in the House of Assembly. This Act was approved which resulted in a number of concessions and exemptions from legislative requirements that would otherwise apply to the America's Cup Event Authority LLC, the Team, their designated commercial partners and the Regatta Officials. The concessions include relief from certain taxes and fees in the areas of advertising, air navigation, broadcasting and electronic communications, customs duties, employment, vehicle permits and licensing, marine vessel port dues, registration and mooring fees, and pilotage. The concessions in this Act cannot be determined as they are not capped.

(g) Ferry Lease

On May 1, 2015, the Government commenced a lease agreement for a ferry to provide additional lift during the tourist season. The lease concluded on October 31, 2015. In accordance with the lease, Government established an irrevocable LOC, issued by HSBC. The LOC securing the lease had a balance of US\$750,000 and was terminated on October 31, 2015.

On March 16, 2016, the Government commenced a lease agreement for a ferry to provide additional lift during the tourist season. The first six month term of the lease will be from April 1, 2016 to September 30, 2016. The second six month term of the lease will be from April 1, 2017 to September 30, 2017. In accordance with the lease, Government established an irrevocable LOC, issued by HSBC. The LOC securing the lease has a balance of US\$1,950,000.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

11. Non-Contractual Operational Obligations

The Government has ongoing obligations to fund a variety of programs for public welfare including health, education, social services, protection of persons and properties, and management of natural resources. The following is an analysis of the future, non-contractual operational obligations:

| | 2016 |
|--------------------------------------|--------------------|
| | \$ |
| 2017 | 150,769,122 |
| 2018 | 161,726,000 |
| 2019 | 1,521,000 |
| 2020 | 630,000 |
| 2021 | - |
| 2022 and subsequent | - |
| Total Future Operational Obligations | <u>314,646,122</u> |

12. Contractual Obligations

(a) Capital Leases

The average period of capitalized leased office machines is 3 years. Leases are capitalized based on the discounted rate of 6.04% and amortized on a straight-line basis over the period of the lease.

The following is an analysis of the leases:

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Present value of lease cost | 5,087,511 | 5,014,501 |
| Less: Accumulated amortization | <u>(4,547,983)</u> | <u>(4,311,253)</u> |
| Present value of lease obligations (Schedule 11) | <u>539,528</u> | <u>703,248</u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

12. Contractual Obligations (cont'd)

The following is a schedule of discounted future minimum lease payments under leases expiring up to March 31, 2019:

| | 2016 |
|------------------------------------|-----------------------|
| | \$ |
| 2017 | 129,143 |
| 2018 | 56,567 |
| 2019 | 3,478 |
| 2020 | - |
| Add: Discounted Amount | <u>350,340</u> |
| Present value of lease obligations | <u><u>539,528</u></u> |

(b) Contractual Obligations

The nature of Government activity results in some large multi-year contracts and agreements of various sizes and importance. Any financial obligations resulting from these are recorded as a liability when the terms of these contracts and agreements for the acquisition of goods and services or the provision of transfer payments are met.

The following is an analysis of estimated future expenditures related to these contractual obligations:

| | 2016 |
|-------------------------------|--------------------------|
| | \$ |
| 2017 | 39,597,408 |
| 2018 | 31,151,358 |
| 2019 | 12,986,410 |
| 2020 | 3,082,749 |
| 2021 | 1,477,882 |
| 2022 and subsequent | <u>2,194,663</u> |
| Total Contractual Obligations | <u><u>90,490,470</u></u> |

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

12. Contractual Obligations (cont'd)

(c) Operating Leases

The Government rents premises under operating leases which expire at certain dates.

The following is an analysis of the future minimum operating lease payments:

| | 2016 |
|---|--------------------------|
| | \$ |
| 2017 | 6,675,904 |
| 2018 | 5,738,087 |
| 2019 | 3,688,732 |
| 2020 | 2,458,221 |
| 2021 | 2,458,222 |
| 2022 and subsequent | <u>14,019,474</u> |
| Total Future Minimum Operating Lease Payments | <u><u>35,038,640</u></u> |

13. Supplementary Estimates and Virements (Transfers)

Section 96(3) of the Bermuda Constitution Order 1968 allows for Supplementary Estimates in respect of any fiscal year if it is found that (a) the amount appropriated by the appropriation law for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no amount has been appropriated by that law; or (b) moneys have been expended for any purpose in excess of the amount appropriated for that purpose by the appropriation law or for a purpose to which no amount has been appropriated by that law, a supplementary estimate, showing the sum required or spent, shall be laid before the House of Assembly. Section 96(4) of the Bermuda Constitution Order 1968 requires that a Supplementary Appropriation Bill be introduced into the Legislature as soon as practical after year end of the year that supplementary estimates have been necessary.

The Public Treasury (Administration and Payments) Amendment Act 2004 allows a Permanent Secretary or a Head of Department to transfer a part of a Department's approved budget to another Department within the same Ministry, subject to the consent of the Minister of Finance. Virements do not increase the overall appropriation amount but facilitate the redeployment of approved budget resources after the start of a financial year.

During the year \$26,359,317 (2015 - \$22,783,749) in Supplementary Estimates were approved and spent which consisted of \$25,509,317 (2015 - \$17,907,149) for current expenditure and \$850,000 (2015 - \$4,876,600) for capital expenditure.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

13. Supplementary Estimates and Virements (Transfers) **(cont'd)**

During the year \$13,132,892 (2015 - \$15,393,642) in virements were approved and transferred which consisted of \$3,342,028 (2015 - \$4,558,488) for current expenditure and \$9,790,864 (2015 - \$10,835,154) for capital expenditure.

Additional expenditures of \$122,801 (2015 - \$2,607,702) were incurred in excess of amounts appropriated by the Ministry and will require final approval, which consisted of \$0 (2015 - \$2,606,021) for current expenditure and \$122,801 (2015 - \$1,681) for capital expenditure.

Additional virements of \$3,530,828 (2015 - \$8,353,602) require final approval and transfer, which consisted of \$3,301,015 (2015 - \$7,993,113) for current expenditure and \$229,813 (2015 - \$360,489) for capital expenditure.

14. Related Party Transactions

(a) Funds

The Fund is related to the GEHI Fund, the CPF, the MMLPF, the Bermuda Department of Tourism North America Retirement Plan, the PSSF, the Confiscated Assets Fund, the GBSF, the Health Insurance Fund, the Mutual Re-insurance Fund, the FutureCare Fund and the Government Reserves Fund.

The financial activities of these funds are reported separately in each fund's financial statements. The Fund provides accounting and certain administrative services to these funds. These transactions are in the normal course of operations and are measured at the appropriate exchange amount. The other activities represent the net position of contributions payable to the funds and expenses paid out of the Fund on behalf of the funds. Schedules 3 and 3(a) display details of unpaid balances due from and due to the funds which have arisen from normal operating activities. The rate of interest accruing on the balances is 7% per annum.

(b) QUANGOs and Other Government-Related Organizations

The Fund is related to certain QUANGOs and other Government-related organizations. QUANGOs and other Government-related organizations are government businesses which have been established under their respective legislative incorporation acts.

The Fund enters into transactions with the QUANGOs and other Government-related organizations in the normal course of business which are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

14. Related Party Transactions (cont'd)

Schedules 3 and 3(a) include details of balances due from and due to these entities which have arisen from normal operating activities. During the year, no interest was charged and/or incurred from or to the Fund and the various QUANGOs and other Government-related organizations.

(i) Bermuda Monetary Authority (the “BMA”)

In accordance with Section 8 (3) of the Bermuda Monetary Authority Act 1969, the BMA pays the remaining portion of its net profit (historically 50%) to the Fund after contributions to the BMA General Reserve and the paid up capital of the Authority.

The BMA reported a net profit for the year ended December 31, 2015, however the Ministry of Finance allowed them to retain the Fund's portion.

(ii) Bermuda Land Development Company Limited (“BLDC”)

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Finance.

On November 12, 1996 (date of inception), the Government purchased 2,500,000 common shares of BLDC. The shares are valued at par \$1 each and are held in trust by the Minister of Public Works.

(iii) Bermuda Housing Corporation (the “BHC”)

On July 12, 2011, the Government provided a letter of comfort to BNTB on behalf of BHC which states, “To the extent that the BHC operates programmes which do not break even, the Government appropriates annual grants which enable BHC to comply with its legislation.” The annual grant awarded for the year ended March 31, 2016 was \$6,050,000 (2015 - \$7,440,000).

(iv) WEDCO Guarantee

On April 24, 2012, the Minister of Finance consented to the borrowing of \$36 million by WEDCO from BNTB to facilitate the completion of the Infrastructure and Housing Project in Dockyard. The amount borrowed was subsequently reduced to \$25 million.

On June 18, 2015, the Minister of Finance consented to the borrowing of \$39 million by WEDCO from BNTB to facilitate the completion of the Land Reclamation Project in Dockyard. This loan facility is for a term of six years.

The Ministry of Finance further guarantees and will make good any default on the part of WEDCO in the payment of these loans to BNTB and all related interest fees and charges due as a result of default by WEDCO until all indebtedness to BNTB has been fully discharged.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016

14. Related Party Transactions (cont'd)

(v) BHC Guarantee

BHC has a loan of \$36.7 million from BNTB, borrowed to finance the purchase of the units of phase three of the Grand Atlantic Housing Development (“Grand Atlantic”) and to repay the loans advanced by the bank for Grand Atlantic phases one and two.

The Ministry of Finance guaranteed to make good any default on the part of BHC in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by BHC until all indebtedness to BNTB has been fully discharged.

(vi) Regulatory Authority (the “RA”)

On January 28, 2013 the Regulatory Authority Act 2011 (the “RAA”) came into operation. Section 111 of the RAA committed the Government to make an initial payment of \$2 million as paid-up capital, which was to be used for purposes prescribed under the RAA. In 2013 the Government paid the RA \$1 million towards the paid-up capital. The \$1 million was paid with the intent that the RA would have funding until collecting sufficient revenues to cover operating expenses as per section 111 (b)(ii) of the RAA. The RA achieved operational independence within the Financial Year and it was deemed not necessary to provide further funding. The Government has fulfilled its financial obligations towards the establishment of the RA in accordance with the intent of the Act.

In accordance with Section 41 (1)(a) of the RAA, the RA will pay 50% of its net surplus to the Fund. The RA reported a net surplus for the year ended March 31, 2016. Government’s 50% portion of the net surplus for the year ended March 31, 2016 is \$48,000 (2015 - \$173,000).

(vii) ACBDA Limited (“ACBDA”)

On December 24, 2014 (date of inception), the Government purchased 100 common shares of ACBDA. The shares are valued at par \$1 each and are held in trust by the Minister of Economic Development.

(viii) Bermuda Casino Gaming Commission (the “BCGC”)

In Note 17 (e) of the March 31, 2015 financial statements, it was indicated that a loan of \$3,760,000 was being extended to the BCGC, with the first payment made on October 19, 2015. During the year ended March 31, 2016, it was determined by the Government that the entire funding amount would instead take the form of a grant, not a loan. As such, the \$3,760,000 will not be repayable to the Government.

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016**

15. Bank Overdraft

As at March 31, 2016 the Government had no overdraft facilities in place.

16. Subsequent Events

(a) Hotel Concessions

As of June 2016, the Minister of Tourism Development and Transport tabled four Hotel Concession Orders in the House of Assembly. The orders were approved which resulted in additional Hotel Concession Orders for 2016 over a period of five years. The total value of concessions to be applied in the future against payroll, hotel occupancy and land taxes under this order is conservatively estimated to be \$31,297,000.

(b) Debt Issue

On October 19, 2016, the Government issued debt of \$665 million of 3.717%, 10 year bonds, due January 2027. The proceeds were used to repay the \$200 million, 5.0% loan facility with BNTB, resulting in total interest savings of \$1.8 million. The proceeds were also used to repurchase \$276.1 million of the 5.603%, \$500 million senior notes due 2020, resulting in annual interest savings of approximately \$3.8 million. The net increase in interest bearing debt as a result of the issue was \$188.9 million.

(c) Additional Air Service Agreement

In October 2016, the Government signed an agreement with an additional commercial airline whereby in consideration of providing regular scheduled air service to Bermuda, the Government commits to pay the airline a calculated sum, not to exceed \$552,000, if there is a financial shortfall on the routes.

(d) New QUANGO's

On July 12, 2016, the Bermuda Shipping and Maritime Authority was established by the Bermuda Shipping and Maritime Authority Act 2016. As of October 1, 2016, this new QUANGO commenced operation replacing the Department of Maritime Administration.

On July 12, 2016, the Bermuda Civil Aviation Authority was established by the Bermuda Civil Aviation Authority Act 2016. As of October 1, 2016, this new QUANGO commenced operation replacing the Department of Civil Aviation.

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2016**

16. Subsequent Events (cont'd)

(e) L. F. Wade International Airport Redevelopment

After several assessments commissioned by the Government, it was concluded that the useful life of the existing airport terminal was nearing expiration. In 2015, the Government entered into an agreement (the “Airport Development Agreement”) with the Canadian Commercial Corporation (“CCC”), a wholly-owned corporation of the Government of Canada, to finance the construction of a new terminal and other renovations. The Government expects that this contract with the CCC will provide Bermuda an efficient and fiscally responsible route to modernizing its airport.

The Government and the CCC have signed a memorandum of understanding, a letter of agreement and the Airport Development Agreement. According to these agreements, the CCC will select a concessionaire for the airport redevelopment who will be responsible for the design, build and financing of a new airport terminal and the related operations and maintenance, including the new terminal and existing facilities, during the concession term, which is expected to be 30 years. After the concession term ends, the operating and maintenance responsibilities will revert to the Government. The Government will also bear ongoing financial responsibility for certain projects during the redevelopment, which will be included in the annual fiscal budget. The airport redevelopment plan aims to improve efficiency of airport operations, airport security, health and safety and expand airport capacity.

17. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

Government of Bermuda - Consolidated Fund
Schedule 1: Accounts Receivable
As at March 31

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | Actual | Actual |
| | \$ | \$ |
| Office of the Tax Commissioner | 219,533,685 | 197,009,084 |
| Works & Engineering | 12,485,762 | 8,818,394 |
| Registrar of Companies | 9,234,286 | 8,139,506 |
| Fire Services | 5,709,801 | 5,054,760 |
| Judicial Department | 5,307,488 | 4,628,888 |
| Airport Operations | 4,478,275 | 3,696,844 |
| Customs | 3,735,119 | 3,430,238 |
| Accountant General | 3,103,311 | 3,200,888 |
| Civil Aviation | 2,645,982 | 2,499,404 |
| Post Office | 2,169,865 | 2,527,661 |
| Public Lands & Buildings | 2,062,738 | 2,328,746 |
| Department of Health | 1,442,165 | 1,343,349 |
| Office of the Auditor General | 1,354,075 | 724,350 |
| Department of Education | 1,133,286 | 2,008,054 |
| Maritime Administration | 1,105,142 | 921,221 |
| Ministry of Public Works HQ | 928,679 | 943,940 |
| Marine & Ports | 710,919 | 350,201 |
| Environmental Protection | 620,917 | 429,499 |
| Public Transportation | 496,007 | 736,365 |
| Telecommunications | 280,047 | 282,979 |
| Conservation Services | 238,728 | 151,147 |
| Ministry of Finance HQ | 235,588 | 111,327 |
| Ministry of Tourism Dev. & Transport HQ | 129,420 | 116,420 |
| Defence | 128,936 | 128,936 |
| Department of Human Resources | 115,332 | 130,642 |
| Financial Assistance | 89,784 | 63,861 |
| Police | 85,606 | 77,333 |
| Registry General | 63,137 | 51,620 |
| Immigration | 45,000 | - |
| Ministry of Health, Seniors & Environment HQ | 31,708 | 31,708 |
| Transport Control Department | 26,038 | 40,471 |
| Ministry of Environment & Planning HQ | 10,500 | 10,500 |
| Tourism | 9,589 | 9,589 |
| Department of Planning | 8,964 | 8,964 |
| Parks | 6,166 | 6,166 |
| Child & Family Services | 3,130 | 2,980 |
| Information Technology Office | 2,301 | 2,301 |
| Libraries | 1,164 | 1,947 |
| E-Commerce | 1,046 | - |
| Attorney General's Chambers | 877 | 877 |
| Ministry of Legal Affairs HQ | 728 | 728 |
| Parliamentary Registrar | 50 | 50 |
| Workforce Development | 38 | 38 |
| Ministry of Economic Development HQ | 7 | - |
| Youth, Sport & Recreation | - | 180 |
| Department of Corrections | - | (209) |
| | 279,771,386 | 250,021,947 |
| Less: Provision for Doubtful Accounts | 116,319,174 | 109,924,661 |
| | 163,452,212 | 140,097,286 |

Government of Bermuda - Consolidated Fund
Schedule 2: Inventories for Consumption
As at March 31

| | 2016 | 2015 |
|----------------------------------|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Ministry of Public Works HQ | 4,433,210 | 3,151,170 |
| Public Transportation | 3,748,675 | 4,051,683 |
| Works & Engineering | 2,936,983 | 2,674,279 |
| Marine & Ports | 2,504,960 | 2,471,003 |
| Police | 1,254,111 | 1,269,471 |
| Department of Education | 872,089 | 898,034 |
| Department of Corrections | 352,204 | 391,545 |
| Department of Health | 315,422 | 285,096 |
| Immigration | 104,946 | 261,284 |
| Conservation Services | 87,554 | 76,461 |
| Post Office | 81,156 | 79,657 |
| Defence | 54,459 | 54,459 |
| Public Lands & Buildings | - | 114,887 |
| | 16,745,769 | 15,779,029 |
| Less: Provision for Obsolescence | 1,995,579 | 1,990,030 |
| | 14,750,190 | 13,788,999 |

Government of Bermuda - Consolidated Fund
Schedule 3: Due From Government Funds and Agencies
As at March 31

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Government Employees Health Insurance Fund | 26,050,055 | 24,605,455 |
| Regulatory Authority | 3,363,683 | 3,338,279 |
| Bermuda Hospitals Board | 3,294,511 | 3,078,949 |
| Contributory Pension Fund | 3,149,210 | 3,153,326 |
| Public Service Superannuation Fund (Note 9(b)) | 2,754,002 | - |
| Bermuda Monetary Authority | 1,221,758 | 1,239,020 |
| Golf Courses | 840,286 | 821,853 |
| Confiscated Assets Fund | 793,144 | 752,084 |
| West End Development Corporation | 321,897 | 323,314 |
| Government Reserves Fund | 268,490 | 268,490 |
| Bermuda College | 203,273 | 193,204 |
| CedarBridge Academy | 108,544 | 99,660 |
| Bermuda Land Development Company | 90,225 | 94,321 |
| Bermuda Deposit Insurance Corporation | 73,987 | - |
| Bermuda Housing Corporation | 59,639 | 86,103 |
| Bermuda Economic Development Corporation | 29,075 | 28,468 |
| Financial Intelligence Agency | 25,810 | - |
| Parish Councils | 21,213 | 17,809 |
| Berkeley Institute | 20,056 | 38,816 |
| Bermuda Health Council | 20,000 | 30,632 |
| Pension Commission | 9,762 | 9,262 |
| Whitney Institute | 3,761 | 4,531 |
| St. George's Preparatory School | 1,795 | 1,723 |
| Bermuda Housing Trust | 767 | - |
| Unemployment Insurance Fund (Note 7) | 201 | - |
| Pembroke Parish Council | - | 99,852 |
| | 42,725,144 | 38,285,151 |
| Less: Provision for Doubtful Accounts | - | - |
| | 42,725,144 | 38,285,151 |

Government of Bermuda - Consolidated Fund
Schedule 3(a): Due to Government Funds and Agencies

| As at March 31 | 2016 | 2015 |
|--|-------------------|-------------------|
| | Actual | Actual |
| | \$ | \$ |
| Ministers and Members of the Legislature Pensions Fund (Note 9(b)) | 13,004,038 | 13,012,088 |
| Department of Tourism North American Retirement Plan | 197,175 | 197,175 |
| Bermuda Hospitals Board | 94,085 | 1,123,793 |
| West End Development Corporation | 6,981 | 6,981 |
| Bermuda Land Development Company | 5,142 | 5,142 |
| Bermuda Economic Development Corporation | 3,800 | 3,800 |
| Golf Courses | 1,943 | 1,943 |
| Bermuda College | 1,672 | 70,149 |
| Bermuda Housing Corporation | 400 | 400 |
| Public Service Superannuation Fund (Note 9(b)) | - | 7,275,843 |
| | 13,315,236 | 21,697,314 |

Government of Bermuda - Consolidated Fund
Schedule 4: Long-Term Receivables
As at March 31

| | 2016 | 2015 |
|---|------------------|----------------|
| | Actual | Actual |
| | \$ | \$ |
| Student Loans and Teacher Training Awards | 1,183,200 | 522,375 |
| Customs Duty | 451,288 | 380,533 |
| | 1,634,488 | 902,908 |

Government of Bermuda - Consolidated Fund
Schedule 5: Accounts Payable and Accrued Liabilities

| As at March 31 | 2016 | 2015 |
|---|--------------------|--------------------|
| | Actual | Actual |
| | \$ | \$ |
| Department Trade Accounts | 35,814,471 | 36,417,032 |
| Base Lands Clean Up (Note 10(c)) | 34,435,975 | 36,820,519 |
| Interest on Debt | 25,927,818 | 25,617,116 |
| Deposits Held | 20,428,088 | 19,691,226 |
| Employees' Leave Entitlements | 16,281,952 | 18,378,103 |
| Teachers' Salaries & Leave Entitlements | 8,446,019 | 9,717,001 |
| Guarantee Payable to WEDCO (Note 10(a)(ii)) | 1,428,574 | 2,857,145 |
| Salaries, Wages and Benefits | 862,192 | 2,348,560 |
| Leases Payable | 180,582 | 326,811 |
| | 143,805,671 | 152,173,513 |

Government of Bermuda - Consolidated Fund
Schedule 6: Deferred Revenue
As at March 31

| | 2016 | 2015 |
|--------------------------------|------------------|-----------|
| | Actual | Actual |
| | \$ | \$ |
| Civil Aviation | 2,097,695 | 929,585 |
| Post Office | 363,708 | 302,392 |
| Department of Health | 122,971 | 106,507 |
| Environmental Protection | 118,894 | 118,790 |
| Public Lands & Buildings | 90,816 | 90,816 |
| Youth, Sport & Recreation | 15,948 | 13,256 |
| Office of the Tax Commissioner | 5,000 | 5,000 |
| Accountant General | 836 | - |
| Home Affairs | 540 | - |
| Immigration | - | 7,103,923 |
| Parks | - | 65,352 |
| | 2,816,408 | 8,735,621 |

Government of Bermuda - Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund
As at March 31

| | 2016 | 2015 |
|---|--------------------|-------------|
| | Actual | Actual |
| | \$ | \$ |
| Senior Notes Due 2016 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 6.98% payable semi-annually May 21 and November 21 | | |
| Notes Due: May 21, 2016 | 30,000,000 | 30,000,000 |
| Senior Notes Due 2016 - US\$ | | |
| Issue Date: November 10, 2009 | | |
| Interest: 5.27% payable semi-annually November 10 and May 10 | | |
| Notes Due: November 10, 2016 | 60,000,000 | 60,000,000 |
| BNTB Loan Due July 2017 - US\$ | | |
| Issue Date: July 20, 2015 | | |
| Interest: 4.75% payable monthly Last business day of the month | | |
| Loan Due: July 31, 2017 | 150,000,000 | - |
| Senior Notes Due 2019 - US\$ | | |
| Issue Date: May 21, 2009 | | |
| Interest: 7.38% payable semi-annually May 21 and November 21 | | |
| Notes Due: May 21, 2019 | 100,000,000 | 100,000,000 |
| Senior Notes Due 2019 - US\$ | | |
| Issue Date: November 10, 2009 | | |
| Interest: 5.93% payable semi-annually November 10 and May 10 | | |
| Notes Due: November 10, 2019 | 80,000,000 | 80,000,000 |
| Senior Notes Due 2020 - US\$ | | |
| Issue Date: July 13, 2010 | | |
| Interest: 5.603% payable semi-annually January 20 and July 20 | | |
| Notes Due: July 20, 2020 | 500,000,000 | 500,000,000 |
| Senior Notes Due 2022 - US\$ | | |
| Issue Date: December 4, 2007 | | |
| Interest: 5.73% payable semi-annually June 4 and December 4 | | |
| Notes Due: December 4, 2022 | 140,000,000 | 140,000,000 |

Government of Bermuda - Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund (cont'd)
As at March 31

| | 2016 | 2015 |
|---|----------------------|---------------|
| | Actual | Actual |
| | \$ | \$ |
| Senior Notes Due 2023 - US\$ | | |
| Issue Date: July 3, 2012 | | |
| Interest: 4.138% payable semi-annually January 3 and July 3 | | |
| Notes Due: January 3, 2023 | 475,000,000 | 475,000,000 |
| Senior Notes Due 2023 - BMD\$ | | |
| Issue Date: December 16, 2013 | | |
| Interest: 4.75% payable semi-annually June 16 and December 16 | | |
| Notes Due: December 16, 2023 | 50,000,000 | 50,000,000 |
| Senior Notes Due 2024 - US\$ | | |
| Issue Date: August 6, 2013 | | |
| Interest: 4.854% payable semi-annually February 6 and August 6 | | |
| Notes Due: February 6, 2024 | 750,000,000 | 750,000,000 |
| | 2,335,000,000 | 2,185,000,000 |
| Less: Sinking Fund (Note 5) | 117,274,389 | 135,347,558 |
| | 2,217,725,611 | 2,049,652,442 |

Government of Bermuda - Consolidated Fund
Schedule 8: Revenue By Type
For the year ended March 31

| | 2016 Original Estimates | 2016 Actual | 2015 Actual |
|---------------------------------------|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Taxes & Duties | | | |
| Payroll Tax | 353,363,000 | 361,135,536 | 326,859,202 |
| Customs Duty | 187,409,000 | 192,593,226 | 171,469,468 |
| Land Tax | 63,186,000 | 67,068,082 | 61,101,087 |
| Passenger Tax | 42,294,000 | 40,794,380 | 32,908,276 |
| | 646,252,000 | 661,591,224 | 592,338,033 |
| Other Taxes & Duties | | | |
| Stamp Duty | 21,500,000 | 25,215,554 | 23,884,966 |
| Foreign Currency Purchase Tax | 21,000,000 | 19,628,127 | 20,069,213 |
| Hotel Occupancy Tax | 11,000,000 | 10,337,484 | 9,186,517 |
| Non-Bermudian Land Acquisition Tax | 9,983,000 | 6,914,789 | 5,492,550 |
| Corporate Services Tax | 5,467,000 | 5,919,034 | 4,444,107 |
| Betting Tax | 1,075,000 | 1,637,786 | 1,668,325 |
| Timesharing Tax | 110,000 | 173,344 | 163,759 |
| | 70,135,000 | 69,826,118 | 64,909,437 |
| Total Taxes & Duties | 716,387,000 | 731,417,342 | 657,247,470 |
| Fees, Permits & Licences | | | |
| International Companies | 60,820,000 | 60,074,386 | 62,775,686 |
| Vehicle Licences & Registration | 27,230,000 | 29,030,678 | 46,151,930 |
| Registration of Aircraft | 26,884,000 | 25,872,268 | 38,400,391 |
| Immigration | 10,662,000 | 22,159,934 | 12,281,347 |
| Air Terminal & Aviation | 10,698,000 | 12,508,016 | 9,914,899 |
| Telecommunications | 12,260,000 | 11,542,127 | 10,594,610 |
| Bus Transportation | 7,881,000 | 8,741,726 | 7,628,244 |
| Registration of Shipping | 4,791,000 | 4,611,604 | 5,332,168 |
| Solid Waste Services | 4,471,000 | 4,550,956 | 3,661,520 |
| Postal Services | 4,730,000 | 4,466,331 | 4,222,293 |
| Water | 3,500,000 | 3,900,523 | 3,574,926 |
| Services to Seaborne Shipping | 2,660,000 | 2,885,317 | 2,632,984 |
| Local Companies | 2,800,000 | 2,787,164 | 2,666,328 |
| Trade and Service Mark | 1,653,000 | 1,818,414 | 1,770,126 |
| Other Customs Fees & Charges | 2,100,000 | 1,803,757 | 2,160,975 |
| Rentals | 1,667,000 | 1,655,424 | 2,826,493 |
| Ferry Services | 1,825,000 | 1,314,996 | 1,484,298 |
| Planning Fees and Searches | 955,000 | 992,907 | 1,100,029 |
| Wharfage | 750,000 | 730,192 | 638,918 |
| Companies Licences | 610,000 | 660,113 | 574,032 |
| Liquor Licences | 50,000 | 384,928 | 310,945 |
| Plant Production and Marketing Centre | 274,000 | 196,456 | 172,119 |
| | 189,271,000 | 202,688,217 | 220,875,261 |
| Other Revenue | | | |
| Other | 21,070,000 | 22,306,454 | 20,095,470 |
| Fines & Forfeitures | 3,570,000 | 3,394,265 | 2,969,712 |
| | 24,640,000 | 25,700,719 | 23,065,182 |
| Investment Income | 1,000,000 | 911,946 | 2,553,694 |
| | 25,640,000 | 26,612,665 | 25,618,876 |
| TOTAL REVENUE | 931,298,000 | 960,718,224 | 903,741,607 |

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department
For the year ended March 31

| | 2016 Original Estimates | 2016 Actual | 2015 Actual |
|--|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 05 Office of the Auditor General | 700,000 | 1,211,355 | 728,033 |
| 63 Parliamentary Registrar | 325,000 | 358,403 | 324,253 |
| 01 Governor & Staff | - | 1,458 | 1,200 |
| 02 Legislature | - | 900 | - |
| 92 Internal Audit | - | 848 | 583 |
| | 1,025,000 | 1,572,964 | 1,054,069 |
| Cabinet Office Departments | | | |
| 96 Sustainable Development | - | - | 4,358 |
| 26 Department of Human Resources | - | - | 1,170 |
| 14 Department of Statistics | - | 1,282 | 274 |
| 09 Cabinet Office | - | 161 | 120 |
| | - | 1,443 | 5,922 |
| Ministry of Tourism Development & Transport | | | |
| 34 Transport Control Department | 27,234,000 | 29,152,072 | 46,272,470 |
| 57 Civil Aviation | 26,933,000 | 25,893,098 | 38,436,931 |
| 31 Airport Operations | 10,818,000 | 12,635,892 | 10,030,149 |
| 35 Public Transportation | 7,906,000 | 8,807,497 | 7,672,483 |
| 30 Marine & Ports | 5,860,000 | 5,529,087 | 5,506,344 |
| 73 Maritime Administration | 4,791,000 | 4,849,403 | 5,409,116 |
| 48 Ministry of Tourism Dev. & Transport HQ | - | 405,165 | 647,000 |
| 33 Tourism | - | - | 59,768 |
| | 83,542,000 | 87,272,214 | 114,034,261 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 7,134,000 | 7,966,713 | 8,255,594 |
| 04 Attorney General's Chambers | - | 100,270 | 2,775 |
| 87 Ministry of Legal Affairs HQ | - | 57,594 | 5,626 |
| 74 Department of Court Services | - | 1,250 | - |
| | 7,134,000 | 8,125,827 | 8,263,995 |
| Ministry of Finance | | | |
| 38 Office of the Tax Commissioner | 516,495,000 | 527,965,758 | 475,680,586 |
| 11 Accountant General | 1,000,000 | 3,448,291 | 2,736,077 |
| 10 Ministry of Finance HQ | 1,846,000 | 2,011,785 | 3,558,103 |
| 28 Social Insurance | - | 150 | - |
| | 519,341,000 | 533,425,984 | 481,974,766 |
| Ministry of Education | | | |
| 17 Department of Education | 230,000 | 149,937 | 336,533 |
| | 230,000 | 149,937 | 336,533 |
| Ministry of Health, Seniors & Environment | | | |
| 22 Department of Health | 3,431,000 | 3,502,692 | 3,486,094 |
| 72 Environmental Protection | 940,000 | 1,246,595 | 1,437,024 |
| 69 Conservation Services | 650,000 | 492,485 | 385,350 |
| 21 Ministry of Health, Seniors & Environment HQ | 17,000 | 127,855 | 89,393 |
| 91 Health Insurance | - | 7,000 | 10,471 |
| | 5,038,000 | 5,376,627 | 5,408,332 |

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department (cont'd)
For the year ended March 31

| | 2016 Original Estimates | 2016 Actual | 2015 Actual |
|--|-------------------------------|--------------------|--------------------|
| | \$ | \$ | \$ |
| Ministry of Economic Development | | | |
| 39 Registrar of Companies | 65,030,000 | 64,054,479 | 66,593,549 |
| 46 Telecommunications | 12,575,000 | 11,590,127 | 10,799,495 |
| 67 E-Commerce | - | 125 | - |
| 95 Min. of Economic Development HQ | - | - | 13,758 |
| | 77,605,000 | 75,644,731 | 77,406,802 |
| Ministry of Community, Culture & Sports | | | |
| 20 Youth, Sport & Recreation | 586,000 | 637,406 | 706,726 |
| 23 Child & Family Services | 176,000 | 168,760 | 87,175 |
| 52 Community & Cultural Affairs | 121,000 | 65,646 | 142,956 |
| 18 Libraries | 16,000 | 14,090 | 12,123 |
| 19 Archives | 2,000 | 1,886 | 3,352 |
| | 901,000 | 887,788 | 952,332 |
| Ministry of National Security | | | |
| 12 Customs | 190,938,000 | 196,237,863 | 174,820,682 |
| 13 Post Office | 4,657,000 | 4,437,551 | 4,174,936 |
| 07 Police | 350,000 | 1,217,328 | 521,390 |
| 45 Fire Services | 8,000 | 667,692 | 651,001 |
| 06 Defence | - | 1,530 | 3,266 |
| 88 National Drug Control | 12,000 | 1,000 | - |
| 25 Department of Corrections | - | 450 | 200 |
| | 195,965,000 | 202,563,414 | 180,171,475 |
| Ministry of Home Affairs | | | |
| 27 Immigration | 20,644,000 | 29,227,223 | 17,773,776 |
| 29 Registry General | 2,492,000 | 2,085,194 | 1,987,172 |
| 32 Department of Planning | 1,114,000 | 1,196,202 | 1,311,520 |
| 93 Ministry of Home Affairs HQ | 414,000 | 1,011,004 | 17,290 |
| 60 Workforce Development | 20,000 | 1,907 | 502 |
| 42 Rent Commissioner | - | - | 38 |
| | 24,684,000 | 33,521,530 | 21,090,298 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 13,032,000 | 10,462,067 | 10,276,471 |
| 81 Public Lands & Buildings | 1,500,000 | 1,533,183 | 2,513,369 |
| 68 Parks | 48,000 | 149,684 | 222,105 |
| 36 Ministry of Public Works HQ | 104,000 | 30,271 | 28,897 |
| 49 Land Valuation | 5,000 | 545 | 530 |
| 97 Land, Surveys & Registration | 1,144,000 | 15 | 1,450 |
| | 15,833,000 | 12,175,765 | 13,042,822 |
| TOTAL REVENUE | 931,298,000 | 960,718,224 | 903,741,607 |

Government of Bermuda - Consolidated Fund
Schedule 9(a): Interdepartmental Revenue By Ministry / Department
For the year ended March 31

| | 2016 Interdepartmental Revenue | 2016 Gross Revenue Actual | 2016 Net Revenue |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 05 Office of the Auditor General | - | 1,211,355 | 1,211,355 |
| 63 Parliamentary Registrar | - | 358,403 | 358,403 |
| 01 Governor & Staff | - | 1,458 | 1,458 |
| 02 Legislature | - | 900 | 900 |
| 92 Internal Audit | - | 848 | 848 |
| | - | 1,572,964 | 1,572,964 |
| Cabinet Office Departments | | | |
| 14 Department of Statistics | - | 1,282 | 1,282 |
| 09 Cabinet Office | - | 161 | 161 |
| | - | 1,443 | 1,443 |
| Ministry of Tourism Development & Transport | | | |
| 34 Transport Control Department | - | 29,152,072 | 29,152,072 |
| 57 Civil Aviation | - | 25,893,098 | 25,893,098 |
| 31 Airport Operations | 56,268 | 12,635,892 | 12,579,624 |
| 35 Public Transportation | 221,083 | 8,807,497 | 8,586,414 |
| 30 Marine & Ports | 5,744 | 5,529,087 | 5,523,343 |
| 73 Maritime Administration | - | 4,849,403 | 4,849,403 |
| 48 Ministry of Tourism Dev. & Transport HQ | - | 405,165 | 405,165 |
| | 283,095 | 87,272,214 | 86,989,119 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 700 | 7,966,713 | 7,966,013 |
| 04 Attorney General's Chambers | - | 100,270 | 100,270 |
| 87 Ministry of Legal Affairs HQ | - | 57,594 | 57,594 |
| 74 Court Services | - | 1,250 | 1,250 |
| | 700 | 8,125,827 | 8,125,127 |
| Ministry of Finance | | | |
| 38 Office of the Tax Commissioner | - | 527,965,758 | 527,965,758 |
| 11 Accountant General | - | 3,448,291 | 3,448,291 |
| 10 Ministry of Finance HQ | - | 2,011,785 | 2,011,785 |
| 28 Social Insurance | - | 150 | 150 |
| | - | 533,425,984 | 533,425,984 |
| Ministry of Education | | | |
| 17 Department of Education | 1,317 | 149,937 | 148,620 |
| | 1,317 | 149,937 | 148,620 |
| Ministry of Health, Seniors & Environment | | | |
| 22 Department of Health | 250,831 | 3,502,692 | 3,251,861 |
| 72 Environmental Protection | 4,785 | 1,246,595 | 1,241,810 |
| 69 Conservation Services | - | 492,485 | 492,485 |
| 21 Ministry of Health, Seniors & Environment HQ | 6,600 | 127,855 | 121,255 |
| 91 Health Insurance | - | 7,000 | 7,000 |
| | 262,216 | 5,376,627 | 5,114,411 |

Government of Bermuda - Consolidated Fund
Schedule 9(a): Interdepartmental Revenue By Ministry / Department (cont'd)
For the year ended March 31

| | 2016 Interdepartmental Revenue | 2016 Gross Revenue Actual | 2016 Net Revenue |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Ministry of Economic Development | | | |
| 39 Registrar of Companies | - | 64,054,479 | 64,054,479 |
| 46 Telecommunications | - | 11,590,127 | 11,590,127 |
| 67 E-Commerce | - | 125 | 125 |
| | - | 75,644,731 | 75,644,731 |
| Ministry of Community, Culture & Sports | | | |
| 20 Youth, Sport & Recreation | 10,440 | 637,406 | 626,966 |
| 23 Child & Family Services | - | 168,760 | 168,760 |
| 52 Community & Cultural Affairs | 60 | 65,646 | 65,586 |
| 18 Libraries | - | 14,090 | 14,090 |
| 19 Archives | - | 1,886 | 1,886 |
| | 10,500 | 887,788 | 877,288 |
| Ministry of National Security | | | |
| 12 Customs | 905,407 | 196,237,863 | 195,332,456 |
| 13 Post Office | 4,365 | 4,437,551 | 4,433,186 |
| 07 Police | 3,307 | 1,217,328 | 1,214,021 |
| 45 Fire Services | 1,200 | 667,692 | 666,492 |
| 06 Defence | - | 1,530 | 1,530 |
| 25 Department of Corrections | - | 450 | 450 |
| | 914,279 | 202,563,414 | 201,649,135 |
| Ministry of Home Affairs | | | |
| 27 Immigration | 6,466 | 29,227,223 | 29,220,757 |
| 29 Registry General | 3,279 | 2,085,194 | 2,081,915 |
| 32 Department of Planning | 23,895 | 1,196,202 | 1,172,307 |
| 93 Ministry of Home Affairs HQ | 540 | 1,011,004 | 1,010,464 |
| 60 Workforce Development | - | 1,907 | 1,907 |
| | 34,180 | 33,521,530 | 33,487,350 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 456,989 | 10,462,067 | 10,005,078 |
| 81 Public Lands & Buildings | 104,541 | 1,533,183 | 1,428,642 |
| 68 Parks | - | 149,684 | 149,684 |
| 36 Ministry of Public Works HQ | - | 30,271 | 30,271 |
| 49 Land Valuation | - | 545 | 545 |
| 97 Land, Surveys & Registration | - | 15 | 15 |
| | 561,530 | 12,175,765 | 11,614,235 |
| TOTAL REVENUE | 2,067,817 | 960,718,224 | 958,650,407 |

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program
For the year ended March 31

| | 2016 Capital Development | 2016 Capital Acquisition | 2016 Current Expenses | 2016 Total Actual | 2015 Total Actual |
|---|--------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Economic Development | | | | | |
| 11 Accountant General | - | 10,835 | 80,495,473 | 80,506,308 | 77,793,548 |
| 82 Works & Engineering | 3,345,333 | - | 46,512,311 | 49,857,644 | 50,877,976 |
| 81 Public Lands & Buildings | 4,243,901 | 4,874 | 37,751,829 | 42,000,604 | 37,746,663 |
| 48 Ministry of Tourism Dev. & Transport HQ | 1,294 | - | 27,155,658 | 27,156,952 | 26,939,315 |
| 31 Airport Operations | 935,188 | 22,314 | 23,639,377 | 24,596,879 | 25,598,666 |
| 35 Public Transportation | - | 329,344 | 21,546,661 | 21,876,005 | 24,683,019 |
| 30 Marine & Ports | - | 125,969 | 21,524,404 | 21,650,373 | 22,979,951 |
| 12 Customs | - | 16,274 | 17,375,038 | 17,391,312 | 17,923,384 |
| 95 Ministry of Economic Development HQ | 4,874,000 | - | 11,470,801 | 16,344,801 | 12,317,375 |
| 13 Post Office | - | 23,981 | 10,146,894 | 10,170,875 | 11,445,628 |
| 36 Ministry of Public Works HQ | 2,127,194 | 403,402 | 6,512,407 | 9,043,003 | 14,933,659 |
| 43 Information Technology Office | - | 1,132,946 | 7,070,382 | 8,203,328 | 9,335,878 |
| 57 Civil Aviation | - | 6,365 | 7,363,850 | 7,370,215 | 8,176,792 |
| 34 Transport Control Department | - | - | 6,053,112 | 6,053,112 | 6,311,704 |
| 10 Ministry of Finance HQ | - | 30,000 | 4,409,091 | 4,439,091 | 5,489,829 |
| 93 Ministry of Home Affairs HQ | - | - | 4,080,813 | 4,080,813 | 4,054,300 |
| 05 Office of the Auditor General | - | - | 3,111,519 | 3,111,519 | 3,806,373 |
| 73 Maritime Administration | - | 9,389 | 2,985,120 | 2,994,509 | 2,844,703 |
| 38 Office of the Tax Commissioner | - | 20,515 | 2,936,612 | 2,957,127 | 7,167,791 |
| 32 Department of Planning | - | 11,787 | 2,683,992 | 2,695,779 | 2,896,348 |
| 39 Registrar of Companies | - | - | 1,902,556 | 1,902,556 | 3,640,761 |
| 29 Registry General | - | 10,000 | 1,409,330 | 1,419,330 | 1,633,886 |
| 97 Land, Surveys & Registration | - | - | 1,200,726 | 1,200,726 | 1,322,021 |
| 46 Telecommunications | - | - | 938,639 | 938,639 | 785,498 |
| 84 E-Government | - | 95,392 | 832,892 | 928,284 | 1,245,732 |
| 67 E-Commerce | - | - | 886,052 | 886,052 | 749,303 |
| 89 Energy | - | - | 858,571 | 858,571 | 789,920 |
| 49 Land Valuation | - | - | 748,270 | 748,270 | 716,289 |
| 80 Project Management & Procurement | 2,402 | - | 678,213 | 680,615 | 764,975 |
| 96 Sustainable Development | - | - | 389,346 | 389,346 | 373,295 |
| 94 Ministry of Economy, Trade & Industry HQ | - | - | - | - | 943 |
| | 15,529,312 | 2,253,387 | 354,669,939 | 372,452,638 | 385,345,525 |
| Health | | | | | |
| 24 Hospitals | 120,000 | - | 147,995,140 | 148,115,140 | 148,982,105 |
| 22 Department of Health | 4,877 | - | 24,364,794 | 24,369,671 | 25,725,841 |
| 21 Ministry of Health, Seniors & Environment HQ | - | - | 12,876,752 | 12,876,752 | 14,475,399 |
| 28 Social Insurance | - | - | 6,782,490 | 6,782,490 | 7,292,441 |
| 91 Health Insurance | - | 3,900 | 1,042,580 | 1,046,480 | 743,750 |
| | 124,877 | 3,900 | 193,061,756 | 193,190,533 | 197,219,536 |
| National Security | | | | | |
| 07 Police | 8,656 | 115,394 | 65,805,982 | 65,930,032 | 68,533,900 |
| 25 Department of Corrections | 12,442 | 19,116 | 24,817,794 | 24,849,352 | 24,973,666 |
| 45 Fire Services | - | 129,925 | 14,560,472 | 14,690,397 | 14,399,271 |
| 03 Judicial Department | - | 12,022 | 7,343,543 | 7,355,565 | 8,068,027 |
| 06 Defence | 141,546 | 46,907 | 7,163,765 | 7,352,218 | 8,251,239 |
| 87 Ministry of Legal Affairs HQ | - | 13,864 | 5,831,680 | 5,845,544 | 7,087,770 |
| 27 Immigration | - | 73,911 | 4,970,731 | 5,044,642 | 5,026,822 |
| 04 Attorney General's Chambers | - | 2,423 | 4,317,983 | 4,320,406 | 3,915,024 |
| 74 Department of Court Services | - | 1,886 | 3,915,613 | 3,917,499 | 3,735,854 |
| 75 Department of Public Prosecutions | - | 5,055 | 2,792,715 | 2,797,770 | 2,688,864 |
| 83 Ministry of National Security HQ | 24,950 | - | 1,343,512 | 1,368,462 | 1,485,956 |
| | 187,594 | 420,503 | 142,863,790 | 143,471,887 | 148,166,393 |
| Education | | | | | |
| 17 Department of Education | 492,132 | 593,276 | 108,729,262 | 109,814,670 | 113,114,955 |
| 41 Bermuda College | - | - | 16,008,136 | 16,008,136 | 16,850,670 |
| 60 Workforce Development | - | 135,325 | 4,025,398 | 4,160,723 | 4,357,152 |
| 16 Ministry of Education HQ | - | - | 1,953,938 | 1,953,938 | - |
| | 492,132 | 728,601 | 130,716,734 | 131,937,467 | 134,322,777 |

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program (cont'd)
For the year ended March 31

| | 2016 Capital Development | 2016 Capital Acquisition | 2016 Current Expenses | 2016 Total Actual | 2015 Total Actual |
|--|--------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Interest on Debt | | | | | |
| 58 Interest on Debt | - | - | 116,217,365 | 116,217,365 | 113,222,504 |
| | - | - | 116,217,365 | 116,217,365 | 113,222,504 |
| Social Services & Assistance | | | | | |
| 55 Financial Assistance | - | 1,275 | 54,606,409 | 54,607,684 | 51,964,024 |
| 23 Child & Family Services | - | - | 13,341,123 | 13,341,123 | 15,551,393 |
| 53 Bermuda Housing Corporation | 2,160,000 | - | 6,050,000 | 8,210,000 | 7,440,000 |
| 88 National Drug Control | - | 13,000 | 4,164,580 | 4,177,580 | 5,062,651 |
| 52 Community & Cultural Affairs | - | - | 2,509,330 | 2,509,330 | 2,624,726 |
| 71 Ministry of Community, Culture and Sports HQ | - | - | 2,257,190 | 2,257,190 | 2,689,289 |
| 42 Rent Commissioner | - | - | - | - | 454,744 |
| | 2,160,000 | 14,275 | 82,928,632 | 85,102,907 | 85,786,827 |
| Other General Government Services | | | | | |
| 68 Parks | 297,476 | 17,634 | 9,205,559 | 9,520,669 | 9,448,263 |
| 20 Youth, Sport & Recreation | - | - | 9,171,519 | 9,171,519 | 11,675,468 |
| 09 Cabinet Office | - | - | 5,907,573 | 5,907,573 | 6,075,981 |
| 02 Legislature | 10,111 | - | 4,810,833 | 4,820,944 | 4,823,753 |
| 69 Conservation Services | 97,648 | - | 4,412,919 | 4,510,567 | 4,664,824 |
| 72 Environmental Protection | 53,808 | 1,710 | 3,753,003 | 3,808,521 | 3,456,890 |
| 26 Department of Human Resources | - | 32,790 | 2,963,196 | 2,995,986 | 3,811,689 |
| 51 Department of Communication & Information | - | 3,848 | 2,247,281 | 2,251,129 | 2,295,324 |
| 14 Department of Statistics | - | - | 2,202,088 | 2,202,088 | 2,552,001 |
| 18 Libraries | - | 5,998 | 1,762,766 | 1,768,764 | 2,130,858 |
| 01 Governor & Staff | - | - | 1,440,908 | 1,440,908 | 1,485,179 |
| 56 Human Affairs | - | 7,799 | 1,324,648 | 1,332,447 | 1,992,826 |
| 19 Archives | - | 41,929 | 1,227,826 | 1,269,755 | 1,279,509 |
| 92 Internal Audit | - | - | 1,261,357 | 1,261,357 | 1,481,236 |
| 63 Parliamentary Registrar | - | 4,006 | 1,018,659 | 1,022,665 | 950,960 |
| 85 Ombudsman's Office | - | - | 851,112 | 851,112 | 755,711 |
| 98 Information Commissioner's Office | - | - | 503,773 | 503,773 | - |
| | 459,043 | 115,714 | 54,065,020 | 54,639,777 | 58,880,472 |
| Pensions and Other Employee Future Benefits | | | | | |
| Pensions and Retirement Benefits Expense | - | - | 79,047,835 | 79,047,835 | 104,764,248 |
| | - | - | 79,047,835 | 79,047,835 | 104,764,248 |
| TOTAL EXPENSES | 18,952,958 | 3,536,380 | 1,153,571,071 | 1,176,060,409 | 1,227,708,282 |

Government of Bermuda - Consolidated Fund
Schedule 10(a): Current Expenses By Type
For the year ended March 31

| | 2016 Original Estimates | 2016 Actual | 2015 Actual |
|--|-------------------------------|----------------------|----------------|
| | \$ | \$ | \$ |
| Employees | | | |
| Salaries | 303,022,000 | 295,881,467 | 301,987,772 |
| Pensions and Retirement Benefits Expense | - | 78,102,509 | 104,635,075 |
| Wages | 70,392,000 | 75,909,524 | 81,259,953 |
| Employer Overhead | 67,895,000 | 74,457,094 | 71,474,428 |
| Other Personnel Costs | 6,146,000 | 5,238,295 | 5,460,322 |
| Training | 3,603,000 | 1,867,324 | 2,104,302 |
| Compensated Absences | - | 945,326 | 129,173 |
| | 451,058,000 | 532,401,539 | 567,051,025 |
| Operations | | | |
| Grants & Contributions | 291,400,000 | 298,204,476 | 296,390,380 |
| Interest on Debt | 117,619,000 | 116,220,689 | 113,222,504 |
| Professional Services | 61,706,000 | 58,949,432 | 68,783,923 |
| Amortization (Note 4(b)(v)) | - | 46,735,105 | 53,692,780 |
| Materials & Supplies | 22,772,000 | 17,201,248 | 22,654,861 |
| Repairs & Maintenance | 20,462,000 | 17,046,228 | 18,341,942 |
| Energy | 18,539,000 | 16,139,652 | 18,063,501 |
| Rentals | 15,145,000 | 13,665,371 | 15,507,099 |
| Insurance | 9,185,000 | 11,731,257 | 9,020,404 |
| Communications | 8,038,000 | 6,458,080 | 7,170,781 |
| Bad Debts | - | 6,173,307 | 6,121,942 |
| Transport | 3,753,000 | 3,624,904 | 4,757,113 |
| Advertising & Promotion | 2,088,000 | 2,813,286 | 3,554,358 |
| Travel | 3,684,000 | 2,619,838 | 2,818,312 |
| Bank Charges & Commissions | - | 1,335,716 | 1,361,749 |
| Other | 3,261,000 | 1,053,562 | 712,862 |
| Clothing & Uniforms | 1,140,000 | 785,974 | 1,702,949 |
| Equipment | 513,000 | 411,407 | 370,819 |
| Transfer to Other Funds (Note 4(b)(iii)) | 52,250,000 | - | - |
| | 631,555,000 | 621,169,532 | 644,248,279 |
| TOTAL CURRENT EXPENSES | 1,082,613,000 | 1,153,571,071 | 1,211,299,304 |

Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department
For the year ended March 31

| | 2016 Original Estimates | 2016 Actual | 2015 Actual |
|--|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 02 Legislature | 4,946,000 | 4,810,833 | 4,785,294 |
| 05 Office of the Auditor General | 3,572,000 | 3,111,519 | 3,805,246 |
| 01 Governor & Staff | 1,409,000 | 1,440,908 | 1,485,179 |
| 92 Internal Audit | 1,576,000 | 1,261,357 | 1,481,236 |
| 63 Parliamentary Registrar | 1,221,000 | 1,018,659 | 945,714 |
| 85 Ombudsman's Office | 910,000 | 851,112 | 755,711 |
| 98 Information Commissioner's Office | 666,000 | 503,773 | - |
| | 14,300,000 | 12,998,161 | 13,258,380 |
| Cabinet Office Departments | | | |
| 43 Information Technology Office | 6,304,000 | 7,070,382 | 7,945,112 |
| 09 Cabinet Office | 6,296,000 | 5,907,573 | 6,075,981 |
| 26 Department of Human Resources | 3,884,000 | 2,963,196 | 3,811,689 |
| 51 Department of Communication & Information | 2,420,000 | 2,247,281 | 2,295,324 |
| 14 Department of Statistics | 2,555,000 | 2,202,088 | 2,552,001 |
| 84 E-Government | 1,022,000 | 832,892 | 1,115,757 |
| 80 Project Management & Procurement | 868,000 | 678,213 | 764,593 |
| 96 Sustainable Development | 477,000 | 389,346 | 373,295 |
| | 23,826,000 | 22,290,971 | 24,933,752 |
| Ministry of Tourism Development & Transport | | | |
| 48 Ministry of Tourism Dev. & Transport HQ | 23,510,000 | 27,155,658 | 26,874,508 |
| 31 Airport Operations | 19,331,000 | 23,639,377 | 23,842,956 |
| 35 Public Transportation | 18,049,000 | 21,546,661 | 23,861,347 |
| 30 Marine & Ports | 19,727,000 | 21,524,404 | 22,769,805 |
| 57 Civil Aviation | 9,007,000 | 7,363,850 | 8,136,680 |
| 34 Transport Control Department | 5,202,000 | 6,053,112 | 6,309,388 |
| 73 Maritime Administration | 2,435,000 | 2,985,120 | 2,844,703 |
| | 97,261,000 | 110,268,182 | 114,639,387 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 8,198,000 | 7,343,543 | 8,051,622 |
| 87 Ministry of Legal Affairs HQ | 5,119,000 | 5,831,680 | 7,073,864 |
| 04 Attorney General's Chambers | 4,343,000 | 4,317,983 | 3,914,379 |
| 74 Department of Court Services | 4,255,000 | 3,915,613 | 3,735,854 |
| 75 Department of Public Prosecutions | 3,097,000 | 2,792,715 | 2,687,105 |
| | 25,012,000 | 24,201,534 | 25,462,824 |
| Ministry of Finance | | | |
| 58 Interest on Debt | 117,619,000 | 116,217,365 | 113,222,504 |
| 11 Accountant General | 76,541,000 | 80,495,473 | 77,769,640 |
| Pensions and Retirement Benefits Expense | - | 79,047,835 | 104,764,248 |
| 28 Social Insurance | 6,016,000 | 6,782,490 | 7,292,441 |
| 10 Ministry of Finance HQ | 4,407,000 | 4,409,091 | 5,459,829 |
| 38 Office of the Tax Commissioner | 3,126,000 | 2,936,612 | 7,164,113 |
| 59 Sinking Fund Contribution | 52,250,000 | - | - |
| | 259,959,000 | 289,888,866 | 315,672,775 |
| Ministry of Education | | | |
| 17 Department of Education | 109,902,000 | 108,729,262 | 112,203,371 |
| 41 Bermuda College | 16,008,000 | 16,008,136 | 16,850,670 |
| 16 Ministry of Education HQ | 1,220,000 | 1,953,938 | - |
| | 127,130,000 | 126,691,336 | 129,054,041 |
| Ministry of Health, Seniors & Environment | | | |
| 24 Hospitals | 146,835,000 | 147,995,140 | 147,862,105 |
| 22 Department of Health | 27,066,000 | 24,364,794 | 25,703,827 |
| 21 Ministry of Health, Seniors & Environment HQ | 13,345,000 | 12,876,752 | 14,475,399 |
| 69 Conservation Services | 4,638,000 | 4,412,919 | 4,509,039 |
| 72 Environmental Protection | 3,776,000 | 3,753,003 | 3,392,060 |
| 91 Health Insurance | 1,040,000 | 1,042,580 | 743,750 |
| | 196,700,000 | 194,445,188 | 196,686,180 |

Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department (cont'd)
For the year ended March 31

| | 2016 Original Estimates | 2016 Actual | 2015 Actual |
|--|-------------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Ministry of Economic Development | | | |
| 95 Ministry of Economic Development HQ | 12,253,000 | 11,470,801 | 9,240,775 |
| 39 Registrar of Companies | 2,845,000 | 1,902,556 | 3,406,294 |
| 46 Telecommunications | 1,083,000 | 938,639 | 785,498 |
| 67 E-Commerce | 914,000 | 886,052 | 749,303 |
| 89 Energy | 988,000 | 858,571 | 789,920 |
| | 18,083,000 | 16,056,619 | 14,971,790 |
| Ministry of Community, Culture & Sports | | | |
| 55 Financial Assistance | 49,131,000 | 54,606,409 | 51,964,024 |
| 23 Child & Family Services | 14,909,000 | 13,341,123 | 15,531,276 |
| 20 Youth, Sport & Recreation | 9,541,000 | 9,171,519 | 10,524,818 |
| 52 Community & Cultural Affairs | 3,081,000 | 2,509,330 | 2,624,726 |
| 71 Ministry of Community, Culture and Sports HQ | 2,420,000 | 2,257,190 | 2,687,889 |
| 18 Libraries | 1,951,000 | 1,762,766 | 2,123,733 |
| 56 Human Affairs | 1,862,000 | 1,324,648 | 1,989,480 |
| 19 Archives | 1,307,000 | 1,227,826 | 1,279,509 |
| | 84,202,000 | 86,200,811 | 88,725,455 |
| Ministry of National Security | | | |
| 07 Police | 64,423,000 | 65,805,982 | 68,092,026 |
| 25 Department of Corrections | 24,866,000 | 24,817,794 | 24,515,671 |
| 12 Customs | 17,267,000 | 17,375,038 | 17,923,384 |
| 45 Fire Services | 13,109,000 | 14,560,472 | 14,399,271 |
| 13 Post Office | 11,192,000 | 10,146,894 | 11,432,246 |
| 06 Defence | 6,948,000 | 7,163,765 | 8,123,375 |
| 88 National Drug Control | 3,921,000 | 4,164,580 | 5,062,561 |
| 83 Ministry of National Security HQ | 1,360,000 | 1,343,512 | 1,437,506 |
| | 143,086,000 | 145,378,037 | 150,986,040 |
| Ministry of Home Affairs | | | |
| 27 Immigration | 4,475,000 | 4,970,731 | 4,981,895 |
| 93 Ministry of Home Affairs HQ | 4,951,000 | 4,080,813 | 4,054,300 |
| 60 Workforce Development | 4,776,000 | 4,025,398 | 4,341,981 |
| 32 Department of Planning | 3,149,000 | 2,683,992 | 2,879,444 |
| 29 Registry General | 1,840,000 | 1,409,330 | 1,633,886 |
| 42 Rent Commissioner | - | - | 454,744 |
| | 19,191,000 | 17,170,264 | 18,346,250 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 30,165,000 | 46,512,311 | 48,966,211 |
| 81 Public Lands & Buildings | 20,522,000 | 37,751,829 | 37,241,211 |
| 68 Parks | 9,644,000 | 9,205,559 | 9,366,799 |
| 36 Ministry of Public Works HQ | 5,301,000 | 6,512,407 | 13,509,281 |
| 53 Bermuda Housing Corporation | 6,050,000 | 6,050,000 | 7,440,000 |
| 97 Land, Surveys & Registration | 1,371,000 | 1,200,726 | 1,322,021 |
| 49 Land Valuation | 810,000 | 748,270 | 715,964 |
| | 73,863,000 | 107,981,102 | 118,561,487 |
| Ministry of Economy, Trade and Industry | | | |
| 94 Ministry of Economy, Trade and Industry HQ | - | - | 943 |
| | - | - | 943 |
| TOTAL CURRENT EXPENSES | 1,082,613,000 | 1,153,571,071 | 1,211,299,304 |

Government of Bermuda - Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department
For the year ended March 31

| | 2016 Interdepartmental Expense | 2016 Actual Gross Expense | 2016 Net Expense |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Non-Ministry Departments | | | |
| 02 Legislature | 1,660 | 4,810,833 | 4,809,173 |
| 05 Office of the Auditor General | 240 | 3,111,519 | 3,111,279 |
| 01 Governor & Staff | 8,618 | 1,440,908 | 1,432,290 |
| 92 Internal Audit | - | 1,261,357 | 1,261,357 |
| 63 Parliamentary Registrar | 1,620 | 1,018,659 | 1,017,039 |
| 85 Ombudsman's Office | 1,085 | 851,112 | 850,027 |
| 98 Information Commissioner's Office | 120 | 503,773 | 503,653 |
| | 13,343 | 12,998,161 | 12,984,818 |
| Cabinet Office Departments | | | |
| 43 Information Technology Office | 3,557 | 7,070,382 | 7,066,825 |
| 09 Cabinet Office | 2,359 | 5,907,573 | 5,905,214 |
| 26 Department of Human Resources | - | 2,963,196 | 2,963,196 |
| 51 Department of Communication & Information | 1,396 | 2,247,281 | 2,245,885 |
| 14 Department of Statistics | 180 | 2,202,088 | 2,201,908 |
| 84 E-Government | - | 832,892 | 832,892 |
| 80 Project Management & Procurement | - | 678,213 | 678,213 |
| 96 Sustainable Development | 60 | 389,346 | 389,286 |
| | 7,552 | 22,290,971 | 22,283,419 |
| Ministry of Tourism Development & Transport | | | |
| 48 Ministry of Tourism Dev. & Transport HQ | 3,729 | 27,155,658 | 27,151,929 |
| 31 Airport Operations | 7,242 | 23,639,377 | 23,632,135 |
| 35 Public Transportation | 211,017 | 21,546,661 | 21,335,644 |
| 30 Marine & Ports | 178,120 | 21,524,404 | 21,346,284 |
| 57 Civil Aviation | 180 | 7,363,850 | 7,363,670 |
| 34 Transport Control Department | 25,096 | 6,053,112 | 6,028,016 |
| 73 Maritime Administration | 11,428 | 2,985,120 | 2,973,692 |
| | 436,812 | 110,268,182 | 109,831,370 |
| Ministry of Legal Affairs | | | |
| 03 Judicial Department | 220 | 7,343,543 | 7,343,323 |
| 87 Ministry of Legal Affairs HQ | - | 5,831,680 | 5,831,680 |
| 04 Attorney General's Chambers | - | 4,317,983 | 4,317,983 |
| 74 Department of Court Services | 4,687 | 3,915,613 | 3,910,926 |
| 75 Department of Public Prosecutions | - | 2,792,715 | 2,792,715 |
| | 4,907 | 24,201,534 | 24,196,627 |
| Ministry of Finance | | | |
| 58 Interest on Debt | - | 116,217,365 | 116,217,365 |
| 11 Accountant General | 248 | 80,495,473 | 80,495,225 |
| Pensions and Retirement Benefits Expense | - | 79,047,835 | 79,047,835 |
| 28 Social Insurance | 244,938 | 6,782,490 | 6,537,552 |
| 10 Ministry of Finance HQ | - | 4,409,091 | 4,409,091 |
| 38 Office of the Tax Commissioner | 420 | 2,936,612 | 2,936,192 |
| | 245,606 | 289,888,866 | 289,643,260 |
| Ministry of Education | | | |
| 17 Department of Education | 98,232 | 108,729,262 | 108,631,030 |
| 41 Bermuda College | - | 16,008,136 | 16,008,136 |
| 16 Ministry of Education HQ | - | 1,953,938 | 1,953,938 |
| | 98,232 | 126,691,336 | 126,593,104 |
| Ministry of Health, Seniors & Environment | | | |
| 24 Hospitals | - | 147,995,140 | 147,995,140 |
| 22 Department of Health | 42,246 | 24,364,794 | 24,322,548 |
| 21 Ministry of Health, Seniors & Environment HQ | 18,146 | 12,876,752 | 12,858,606 |
| 69 Conservation Services | 29,265 | 4,412,919 | 4,383,654 |
| 72 Environmental Protection | 1,179 | 3,753,003 | 3,751,824 |
| 91 Health Insurance | - | 1,042,580 | 1,042,580 |
| | 90,836 | 194,445,188 | 194,354,352 |

Government of Bermuda - Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department (cont'd)
For the year ended March 31

| | 2016 Interdepartmental Expense | 2016 Actual Gross Expense | 2016 Net Expense |
|--|--------------------------------------|---------------------------------|------------------------|
| | \$ | \$ | \$ |
| Ministry of Economic Development | | | |
| 95 Ministry of Economic Development HQ | - | 11,470,801 | 11,470,801 |
| 39 Registrar of Companies | 509 | 1,902,556 | 1,902,047 |
| 46 Telecommunications | - | 938,639 | 938,639 |
| 67 E-Commerce | 412 | 886,052 | 885,640 |
| 89 Energy | - | 858,571 | 858,571 |
| | 921 | 16,056,619 | 16,055,698 |
| Ministry of Community, Culture & Sports | | | |
| 55 Financial Assistance | 2,972 | 54,606,409 | 54,603,437 |
| 23 Child & Family Services | 14,815 | 13,341,123 | 13,326,308 |
| 20 Youth, Sport & Recreation | 172,039 | 9,171,519 | 8,999,480 |
| 52 Community & Cultural Affairs | 16,111 | 2,509,330 | 2,493,219 |
| 71 Ministry of Community, Culture and Sports HQ | 325 | 2,257,190 | 2,256,865 |
| 18 Libraries | 947 | 1,762,766 | 1,761,819 |
| 56 Human Affairs | 21 | 1,324,648 | 1,324,627 |
| 19 Archives | 900 | 1,227,826 | 1,226,926 |
| | 208,130 | 86,200,811 | 85,992,681 |
| Ministry of National Security | | | |
| 07 Police | 79,636 | 65,805,982 | 65,726,346 |
| 25 Department of Corrections | 180,848 | 24,817,794 | 24,636,946 |
| 12 Customs | 13,611 | 17,375,038 | 17,361,427 |
| 45 Fire Services | 31,902 | 14,560,472 | 14,528,570 |
| 13 Post Office | 6,570 | 10,146,894 | 10,140,324 |
| 06 Defence | 15,950 | 7,163,765 | 7,147,815 |
| 88 National Drug Control | 3,711 | 4,164,580 | 4,160,869 |
| 83 Ministry of National Security HQ | 2,312 | 1,343,512 | 1,341,200 |
| | 334,540 | 145,378,037 | 145,043,497 |
| Ministry of Home Affairs | | | |
| 27 Immigration | 1,576 | 4,970,731 | 4,969,155 |
| 93 Ministry of Home Affairs HQ | - | 4,080,813 | 4,080,813 |
| 60 Workforce Development | 291 | 4,025,398 | 4,025,107 |
| 32 Department of Planning | 50 | 2,683,992 | 2,683,942 |
| 29 Registry General | - | 1,409,330 | 1,409,330 |
| | 1,917 | 17,170,264 | 17,168,347 |
| Ministry of Public Works | | | |
| 82 Works & Engineering | 4,973 | 46,512,311 | 46,507,338 |
| 81 Public Lands & Buildings | 7,432 | 37,751,829 | 37,744,397 |
| 68 Parks | 101,704 | 9,205,559 | 9,103,855 |
| 36 Ministry of Public Works HQ | 510,707 | 6,512,407 | 6,001,700 |
| 53 Bermuda Housing Corporation | - | 6,050,000 | 6,050,000 |
| 97 Land, Surveys & Registration | 85 | 1,200,726 | 1,200,641 |
| 49 Land Valuation | 120 | 748,270 | 748,150 |
| | 625,021 | 107,981,102 | 107,356,081 |
| TOTAL CURRENT EXPENSES | 2,067,817 | 1,153,571,071 | 1,151,503,254 |

**Government of Bermuda - Consolidated Fund
Schedule 11: Schedules of Tangible Capital Assets and Assets Under Construction
As at March 31, 2015**

| | Estimated Useful Life | COST | | | | ACCUMULATED AMORTIZATION | | | | 31-Mar-14 Net Book Value \$ | |
|--------------------------------------|-----------------------|----------------------|-------------------|----------------------------|----------------------|--------------------------|--------------------------|----------------------------|----------------------|-----------------------------|--------------------|
| | | Opening Balance \$ | Additions \$ | Disposals & Adjustments \$ | Closing Balance \$ | Opening Balance \$ | Amortization Expenses \$ | Disposals & Adjustments \$ | Closing Balance \$ | | |
| Tangible Capital Assets | | | | | | | | | | | |
| Land | Indefinite | 45,638,778 | 5,560 | - | 45,642,338 | - | - | - | - | 45,642,338 | 45,638,778 |
| Buildings & Betterments | 2 - 40 years | 627,582,738 | 3,316,722 | - | 630,899,460 | (188,781,697) | (16,036,068) | - | (206,816,665) | 424,082,795 | 438,801,141 |
| Infrastructure | 10 - 40 years | 184,175,137 | 1,242,183 | - | 185,417,320 | (53,564,429) | (10,806,472) | - | (64,370,901) | 121,046,419 | 130,610,708 |
| Vehicles & Heavy Equipment | 5 - 7 years | 93,649,948 | 3,718,616 | - | 97,368,564 | (80,823,715) | (5,770,650) | - | (86,594,365) | 10,773,999 | 12,826,233 |
| Boats & Vessels | 5 - 10 years | 46,141,352 | (20,385) | - | 46,120,967 | (38,257,762) | (2,126,234) | - | (40,383,996) | 5,736,961 | 7,863,580 |
| Computer Software | 10 years | 36,948,911 | 1,184,110 | - | 38,133,021 | (16,077,821) | (3,740,128) | - | (18,817,949) | 19,315,072 | 21,871,090 |
| Office Equipment | 5 years | 17,467,071 | 601,550 | - | 18,068,621 | (13,488,693) | (1,761,929) | - | (15,280,622) | 2,787,999 | 3,986,378 |
| Computer Hardware | 3 - 7 years | 19,329,474 | 2,447,963 | - | 21,777,437 | (13,028,921) | (2,642,816) | - | (15,671,737) | 6,105,700 | 6,300,553 |
| Capital Leases | 3 years | 4,679,101 | 201,582 | (66,182) | 5,014,501 | (4,108,677) | (244,889) | 42,313 | (4,311,253) | 703,248 | 770,424 |
| Furniture & Fixtures | 7 years | 4,834,019 | 465,624 | - | 5,299,643 | (3,708,106) | (487,767) | - | (4,175,873) | 1,123,770 | 1,125,913 |
| Plant, Machinery & Equipment | 10 - 30 years | 104,062,430 | 3,339,667 | - | 107,391,097 | (61,632,856) | (8,052,758) | - | (59,685,614) | 47,705,483 | 52,419,574 |
| Total Tangible Capital Assets | | 1,184,698,959 | 16,502,182 | (66,182) | 1,201,132,959 | (462,482,577) | (53,668,911) | 42,313 | (516,109,176) | 685,023,704 | 722,214,382 |
| Assets Under Construction | | 52,476,614 | 21,095,257 | (10,205,565) | 63,366,306 | - | - | - | - | 63,366,306 | 52,476,614 |
| Loss on Disposal of Leases | | | | | | | (23,869) | | | | |

Government of Bermuda - Consolidated Fund
Schedule 12: Current Expenditure - Estimates Compared to Expenditures
For the year ended March 31, 2016

| | Expenses | Expenditure ¹ | Adjusted Estimates ² | Under (Over) Spent |
|--|-------------|--------------------------|---------------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Non-Ministry Departments | | | | |
| 02 Legislature | 4,810,833 | 4,771,233 | 4,945,927 | 174,694 |
| 05 Office of the Auditor General | 3,111,519 | 3,065,931 | 3,572,471 | 506,540 |
| 01 Governor & Staff | 1,440,908 | 1,437,198 | 1,409,166 | (28,032) |
| 92 Internal Audit | 1,261,357 | 1,259,947 | 1,576,326 | 316,379 |
| 63 Parliamentary Registrar | 1,018,659 | 1,006,146 | 1,220,435 | 214,289 |
| 85 Ombudsman's Office | 851,112 | 844,617 | 910,703 | 66,086 |
| 98 Information Commissioner's Office | 503,773 | 508,636 | 665,540 | 156,904 |
| | 12,998,161 | 12,893,708 | 14,300,568 | 1,406,860 |
| Cabinet Office Departments | | | | |
| 43 Information Technology Office | 7,070,382 | 5,817,596 | 6,194,702 | 377,106 |
| 09 Cabinet Office | 5,907,573 | 5,891,988 | 6,243,651 | 351,663 |
| 26 Department of Human Resources | 2,963,196 | 2,943,706 | 3,657,059 | 713,353 |
| 51 Department of Communication & Information | 2,247,281 | 2,215,994 | 2,419,687 | 203,693 |
| 14 Department of Statistics | 2,202,088 | 2,166,867 | 2,554,584 | 387,717 |
| 84 E-Government | 832,892 | 822,483 | 871,534 | 49,051 |
| 80 Project Management & Procurement | 678,213 | 668,742 | 867,566 | 198,824 |
| 96 Sustainable Development | 389,346 | 389,346 | 477,202 | 87,856 |
| | 22,290,971 | 20,916,722 | 23,285,985 | 2,369,263 |
| Ministry of Tourism Development & Transport | | | | |
| 48 Ministry of Tourism Dev. & Transport HQ | 27,155,658 | 25,651,713 | 24,360,145 | (1,291,568) |
| 31 Airport Operations | 23,639,377 | 21,032,458 | 20,471,442 | (561,016) |
| 35 Public Transportation | 21,546,661 | 19,892,593 | 20,144,326 | 251,733 |
| 30 Marine & Ports | 21,524,404 | 19,734,028 | 21,436,304 | 1,702,276 |
| 57 Civil Aviation | 7,363,850 | 7,291,881 | 8,317,024 | 1,025,143 |
| 34 Transport Control Department | 6,053,112 | 5,466,964 | 5,378,110 | (88,854) |
| 73 Maritime Administration | 2,985,120 | 2,937,775 | 2,901,278 | (36,497) |
| | 110,268,182 | 102,007,412 | 103,008,629 | 1,001,217 |
| Ministry of Legal Affairs | | | | |
| 03 Judicial Department | 7,343,543 | 7,484,555 | 8,197,662 | 713,107 |
| 87 Ministry of Legal Affairs HQ | 5,831,680 | 5,822,934 | 7,403,903 | 1,580,969 |
| 04 Attorney General's Chambers | 4,317,983 | 4,210,106 | 4,403,336 | 193,230 |
| 74 Department of Court Services | 3,915,613 | 3,887,870 | 4,260,304 | 372,434 |
| 75 Department of Public Prosecutions | 2,792,715 | 2,785,011 | 3,097,109 | 312,098 |
| | 24,201,534 | 24,190,476 | 27,362,314 | 3,171,838 |
| Ministry of Finance | | | | |
| 58 Interest on Debt | 116,217,365 | 116,217,365 | 116,218,500 | 1,135 |
| 11 Accountant General | 80,495,473 | 74,433,846 | 77,477,047 | 3,043,200 |
| Retirement Benefit (Refund) Expenses | 79,047,835 | - | - | - |
| 28 Social Insurance | 6,782,490 | 6,774,160 | 6,716,350 | (57,810) |
| 10 Ministry of Finance HQ | 4,409,091 | 4,404,471 | 4,656,888 | 252,417 |
| 38 Office of the Tax Commissioner | 2,936,612 | 2,871,869 | 3,126,052 | 254,183 |
| 59 Sinking Fund Contribution | - | 52,250,000 | 52,250,000 | - |
| | 289,888,866 | 256,951,711 | 260,444,837 | 3,493,125 |
| Ministry of Education | | | | |
| 17 Department of Education | 108,729,262 | 107,922,749 | 108,731,474 | 808,725 |
| 41 Bermuda College | 16,008,136 | 16,008,136 | 16,008,136 | - |
| 16 Ministry of Education HQ | 1,953,938 | 1,953,938 | 2,235,755 | 281,817 |
| | 126,691,336 | 125,884,823 | 126,975,365 | 1,090,542 |
| Ministry of Health, Seniors & Environment | | | | |
| 24 Hospitals | 147,995,140 | 147,995,140 | 147,995,140 | - |
| 22 Department of Health | 24,364,794 | 23,230,412 | 25,541,466 | 2,311,054 |
| 21 Ministry of Health, Seniors & Environment HQ | 12,876,752 | 12,871,974 | 13,708,247 | 836,273 |
| 69 Conservation Services | 4,412,919 | 4,422,440 | 4,638,421 | 215,981 |
| 72 Environmental Protection | 3,753,003 | 3,340,877 | 3,775,558 | 434,681 |
| 91 Health Insurance | 1,042,580 | 1,041,930 | 1,039,628 | (2,302) |
| | 194,445,188 | 192,902,773 | 196,698,460 | 3,795,687 |

¹ Adjusted for Non-Budgeted, Non-Cash Items

² Includes all Approved Supplementary amounts during the year

Government of Bermuda - Consolidated Fund
Schedule 12: Current Expenditure - Estimates Compared to Expenditures (cont'd)
For the year ended March 31, 2016

| | Expenses | Expenditure ¹ | Adjusted Estimates ² | Under (Over) Spent |
|--|----------------------|--------------------------|---------------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Ministry of Economic Development | | | | |
| 95 Ministry of Economic Development HQ | 11,470,801 | 11,467,494 | 11,874,849 | 407,355 |
| 39 Registrar of Companies | 1,902,556 | 1,855,798 | 2,786,034 | 930,236 |
| 46 Telecommunications | 938,639 | 939,669 | 1,252,601 | 312,932 |
| 67 E-Commerce | 886,052 | 884,536 | 1,126,098 | 241,562 |
| 89 Energy | 858,571 | 858,571 | 983,700 | 125,129 |
| | 16,056,619 | 16,006,068 | 18,023,282 | 2,017,214 |
| Ministry of Community, Culture & Sports | | | | |
| 55 Financial Assistance | 54,606,409 | 54,558,965 | 55,132,278 | 573,313 |
| 23 Child & Family Services | 13,341,123 | 13,290,973 | 14,819,368 | 1,528,395 |
| 20 Youth, Sport & Recreation | 9,171,519 | 9,105,009 | 9,482,326 | 377,317 |
| 52 Community & Cultural Affairs | 2,509,330 | 2,502,959 | 2,976,197 | 473,238 |
| 71 Ministry of Community, Culture and Sports HQ | 2,257,190 | 2,241,295 | 2,419,684 | 178,389 |
| 18 Libraries | 1,762,766 | 1,747,906 | 1,877,496 | 129,590 |
| 56 Human Affairs | 1,324,648 | 1,274,229 | 1,704,150 | 429,921 |
| 19 Archives | 1,227,826 | 1,195,951 | 1,307,266 | 111,315 |
| | 86,200,811 | 85,917,287 | 89,718,765 | 3,801,478 |
| Ministry of National Security | | | | |
| 07 Police | 65,805,982 | 65,066,655 | 64,486,897 | (579,758) |
| 25 Department of Corrections | 24,817,794 | 24,590,844 | 27,365,770 | 2,774,926 |
| 12 Customs | 17,375,038 | 16,463,436 | 17,122,712 | 659,276 |
| 45 Fire Services | 14,560,472 | 13,190,714 | 13,108,510 | (82,204) |
| 13 Post Office | 10,146,894 | 9,921,201 | 10,603,568 | 682,367 |
| 06 Defence | 7,163,765 | 7,111,509 | 7,201,690 | 90,181 |
| 88 National Drug Control | 4,164,580 | 3,556,141 | 3,920,565 | 364,424 |
| 83 Ministry of National Security HQ | 1,343,512 | 1,339,951 | 1,359,573 | 19,622 |
| | 145,378,037 | 141,240,451 | 145,169,285 | 3,928,834 |
| Ministry of Home Affairs | | | | |
| 27 Immigration | 4,970,731 | 4,138,804 | 4,417,854 | 279,050 |
| 93 Ministry of Home Affairs HQ | 4,080,813 | 4,075,525 | 4,950,889 | 875,364 |
| 60 Workforce Development | 4,025,398 | 3,948,697 | 4,776,446 | 827,749 |
| 32 Department of Planning | 2,683,992 | 2,673,378 | 3,166,954 | 493,576 |
| 29 Registry General | 1,409,330 | 1,375,260 | 1,712,779 | 337,519 |
| | 17,170,264 | 16,211,664 | 19,024,922 | 2,813,258 |
| Ministry of Public Works | | | | |
| 82 Works & Engineering | 46,512,311 | 29,142,807 | 31,001,850 | 1,859,043 |
| 81 Public Lands & Buildings | 37,751,829 | 19,208,926 | 20,235,175 | 1,026,249 |
| 68 Parks | 9,205,559 | 9,035,671 | 9,566,827 | 531,156 |
| 36 Ministry of Public Works HQ | 6,512,407 | 10,107,184 | 9,534,210 | (572,974) |
| 53 Bermuda Housing Corporation | 6,050,000 | 6,050,000 | 6,050,000 | - |
| 97 Land, Surveys & Registration | 1,200,726 | 1,153,814 | 1,371,333 | 217,519 |
| 49 Land Valuation | 748,270 | 706,068 | 809,901 | 103,833 |
| | 107,981,102 | 75,404,470 | 78,569,296 | 3,164,826 |
| TOTAL CURRENT EXPENDITURE | 1,153,571,071 | 1,070,527,565 | 1,102,581,708 | 32,054,143 |

¹ Adjusted for Non-Budgeted, Non-Cash Items

² Includes all Approved Supplementary amounts during the year

**Government of Bermuda - Consolidated Fund
Schedule 13: Commitments - Legislated
For the year ended March 31**

| | 2016 | 2015 |
|---|--------------------|---------------|
| | Actual | Actual |
| | \$ | \$ |
| Unspent Capital Appropriations | | |
| In accordance with Section 6 of the Appropriations Act 2015, unspent capital appropriations for incomplete capital projects to be carried forward to future years are as follows: | | |
| Capital Development | 2,138,743 | 178,841 |
| Capital Acquisition | 3,613,634 | 318,000 |
| | 5,752,377 | 496,841 |
| Total Authorized Funding | | |
| Total Authorized Funding represents the estimated total cost of capital development projects and is subject to the voting of supply by the Legislature. Estimated future expenditure for continuing capital development projects is as follows: | | |
| Total Authorized Funding | 912,977,575 | 926,638,138 |
| Projects Completed during the year | (76,005,000) | (143,529,000) |
| Supplementary Estimate No.1 | 850,000 | 4,876,600 |
| Revised Total Authorized Funding | 837,822,575 | 787,985,738 |
| Appropriated Capital Development | (353,403,445) | (354,345,720) |
| Unappropriated Capital Development Commitments | 484,419,130 | 433,640,018 |

**Government of Bermuda - Consolidated Fund
Schedule 14: Public Debt - Legislated Limit
As at March 31**

| | 2016 | 2015 |
|--|--------|--------|
| | Actual | Actual |
| | \$ | \$ |

The Government Loans Act 1978 as amended, defines public debt as debt owed or guaranteed by the Fund, but only if and when, and to the extent that, the guarantee obligation becomes due and payable by the Government.

Section 2A(1) of the Act limits public debt (net of sinking fund assets) to \$2.50 billion, as amended February 22, 2013.

| | | |
|---------------------------|----------------------|---------------|
| Debt (Schedule 7) | 2,335,000,000 | 2,185,000,000 |
| Less: | | |
| Sinking Fund (Schedule 7) | 117,274,389 | 135,347,558 |
| Public Debt | 2,217,725,611 | 2,049,652,442 |
| Legislated Limit | 2,500,000,000 | 2,500,000,000 |
| Available Limit | 282,274,389 | 450,347,558 |



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Ministerial Statement
To the House of Assembly
By

The Hon. E.T. Richards, JP, MP.
Minister of Finance

Consolidated Fund Financial Statements 2016

Date: 10 March, 2017

Mr. Speaker, I am pleased to table audited financial statements relating to the Consolidated Fund for the year-ended March 31, 2016.

As Honourable Members are aware the Consolidated Fund is the general operating fund of the Bermuda Government and is the Fund through which Government conducts the majority of its transactions. The Consolidated Fund financial statements report the financial position, operations, change in net debt and cash flows resulting from the activities of the Government. This includes the accounts of the Senate, the House of Assembly, all Government departments and offices and all courts.

Mr. Speaker, I am pleased to note that the annual accounts of the Consolidated Fund of the Government of Bermuda were given an unqualified audit opinion for the fourth consecutive year following six years of qualified opinions. Despite the clean audit opinion, the Auditor General has, for the sixth consecutive year, included explanatory paragraphs as ‘other matters’ which she deems appropriate. These “other matters” relate to the following:

- The increased level of the net debt and the need for the Government of Bermuda to take concerted action to address it;
- Ongoing incidents of non-compliance with the Government of Bermuda’s Financial Instructions; and
- The preparation of Summary Financial Statements for the Bermuda Government.

It is important to note that these explanatory paragraphs do not alter the Auditor General’s unqualified opinion, but are highlighted matters. However, the Government shares the Auditor’s concerns in these areas and has already started to tackle these matters. For instance Mr. Speaker, the Ministry of Finance has already put in place a three-year plan to eliminate the deficit and ultimately reduce the debt.

Mr. Speaker, liabilities related to pension and other employee future benefits are also included in the “Net Debt” amount disclosed in the Financial Statements and the Government has already started the review of these benefits to ensure their sustainability.

Also, I can report that the Cabinet Office and Ministry of Finance are collaborating to develop an enhanced Financial Instructions Training Programme. The key aim of this Programme is to raise awareness and understanding of Financial Instructions with a view to positively impact compliance and reporting.

Mr. Speaker, with regard to the preparation of Summary Financial Statements for the Bermuda Government, the Ministry agrees there are benefits to issuing consolidated financial statements and Members will recall that legislation was passed in 2014 to create the reporting entity under which summary statements will be prepared.

Whilst legislative changes are required to effect consolidated reporting, they are simply one aspect of a complex approach that would be required to achieve this accounting objective. Accordingly, progress is being made on this important initiative, but it should be emphasised that consideration must be given to resources, accounting systems, management roles and other factors that are critical in the accomplishment of this task.

Mr. Speaker, the sign-off date for the completion of the audit was February 3rd 2017. Although this was 2 months earlier than the 2015 sign-off, the Ministry's position is that the audited financials should be able to be completed within nine months of the March 31 year-end, and have instructed the Accountant General to work diligently with the Office of the Auditor General and new Auditor General to address the issues causing delays in issuing the annual accounts of the Consolidated Fund.

Some financial highlights of the 2016 Consolidated Fund Financial Statements are as follows:

The total revenue raised by the Consolidated Fund for fiscal 2015/16 was approximately \$960.7 million, representing an increase of \$57.0 million (6.3%) from fiscal 2014/15 total revenue of \$903.7 million. The most significant generators of revenues for fiscal 2015/16 were Payroll Taxes, accounting for \$361.1 million or 37.6% of total revenue (2014/15 - \$326.9 million or 36.2%) and Customs Duty, accounting for \$192.6 million or 20% (2014/15 - \$171.5 million or 19%). Total revenue on a modified cash basis (on the same basis that is shown in the Budget Book) was \$953.6 million (2015 - \$880.4 million), which was \$22.3 million more than original budget estimates (2015 - \$21.3 million less than original budget estimates).

Mr. Speaker, current expenses for fiscal 2015/16 were \$1.176 billion (2014/15 - \$1.228 billion). The three largest components of current expenses were employee costs, grants and contributions and interest on debt. Total employee costs were \$532.4 million or 46.2% (2014/15 - \$567.1 million or 47.0%) of total expenses. Included in this amount is \$79.1 million (2014/15 - \$144.3 million) of non-cash retirement benefit expenses. Grants and contributions were \$298.2 million or 25.9% (2014/15 - \$296.4 million or 24.5%) and interest on debt was \$116.2 million or 10.1% (2014/15 - \$113.2 million or 9.3%). Total current expenditure on a modified cash basis was \$1.071 billion (2014/15 - \$1.094 billion), which was \$12.1 million **less** than original budget estimates (2014/15 - \$11.0 million less than original budget estimates).

Mr. Speaker total capital account cash expenditure was \$43.7 million, which was \$24.6 million lower than the original budget estimates.

Total capital and current account cash expenditure for 2015/16 was \$1.114 billion, which was \$36.7 million or 3.2% lower than the original budget estimate of \$1.151 billion.

The all-inclusive results from government operations (both current and capital) for the year ending March 31, 2016, were a deficit of \$215.3 million. There are many non - cash expenses included in this figure. If we strip those away, the modified cash all-inclusive results from government operations (on the same basis that is shown in the Budget Book) was a deficit of \$160.6 million. This compares to a deficit of \$220.0 million that was originally budgeted. Therefore, the actual overall deficit was down by \$59.4 million or 27.0% when compared to the original estimate. The decreased deficit is a result of prudent management of discretionary current and capital expenditures.

Cash and cash equivalents at the end of fiscal 2015/16 totaled \$42.1 million which was \$2.7 million higher than the balance at the end of 2014/15.

Mr. Speaker, the 31st March 2016 total accounts receivable net of provision for doubtful accounts increased by 16.7% to \$163.5 million, as compared to \$140.1 million at 31st March 2015. The most significant contributor to the accounts receivable balance before provision related to taxes collected by the Office of the Tax Commissioner (“OTC”) of \$219.5 million, representing an

approximate \$22.5 million increase in accounts receivable from fiscal 2015 of \$197.0 million. The primary reason for the increase in accounts receivables related to land tax. Honourable Members will recall that rates were amended in 2016 which required revised land tax demand notices to be sent out. A significant portion of the gross receivable at March 31, 2016 (52.7%) represents Payroll Tax which was due and payable on 15 April, 2016. During the month of April 2016, the Government collected approximately \$101.6 million in Payroll taxes (April 2015 - \$94.1 million).

Mr. Speaker, Net Public Debt, which excludes guarantees and is net of the Government Borrowing Sinking Fund, increased by \$168.1 million (2014/15 – \$281.2 million) during fiscal 2015/16, standing at \$2.218 billion (2015 - \$2.050 billion) at the end of the year. This represents an 8.2% increase from 2015. While there were no new debt issues during 2015/16, the debt position increased due primarily to a BNTB \$150 million loan taken out during the year. The 2016 Sinking Fund balance was \$117.3 million (2015 – \$135.3 million). At the close of the year, the available borrowing limit was \$282.3 million (2015 – \$450.3 billion).

The level of debt mentioned above is not only unsustainable but economically and fiscally imprudent and the Government has already committed to intensify our efforts and determination to eliminate the government deficit, and eventually pay down on our debt.

Mr. Speaker, the statements of the Consolidated Fund provide valuable information on the financial position of the Government and I would encourage the public to examine these statements.

Thank you Mr. Speaker

March 10, 2017