

QUARTERLY UNAUDITED BUDGET REPORT

GOVERNMENT OF THE TURKS AND CAICOS ISLANDS

Q1- FY2013-14



*Treasury Department
Ministry of Finance
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FOREWORD

This first quarter FY2013/14 Financial Report (Unaudited) presents a summary of the results of operations of the Government of the Turks and Caicos Islands for the three months ending June 30, 2013. The report has been prepared in adherence to the Public Finance Management Ordinance 2012 (Section 46.01) which requires that the Accountant General prepares and submits unaudited budget report within 28 days after the quarter end. The preparation and publication of this report stem from Government's commitment to transparent reporting of the Turks and Caicos Islands Government's (TCIG) finances, contributing to the overall accountability arrangement and an improved quality of governance & decision making.

It allows the Government to ensure that public funds are properly accounted for and that ministries and departments execute their budgets as planned. The Government will be

able to monitor more closely the usage of public funds and the associated risks and challenges, so that where corrective measures may be needed to be undertaken, they can be done much earlier than later. Likewise, the public is able to monitor finances of the Government in order to assure that financial decisions are made according to the preferences and priorities of the public at large.

During the first quarter, the annual budget was not passed in House of Assembly and the Government operated on a Provisional General Warrant issued by the House in Resolution 2 of 2013. This warrant approved an amount of \$60,015,631.00 to cover the recurrent expenditure of the country. It is expected that the budget will be passed during the beginning of the second quarter of FY2013/14, however in its absence, current first quarter results are compared to that of last year.



Quarter Financial Results

The table below presents a summary of the financial performance for the first quarter compared to the Budget and also against the previous year's results.

SUMMARY ANALYSIS OF FY2013/14 FINANCIAL PERFORMANCE CONSOLIDATED AND DEVELOPEMNT FUNDS

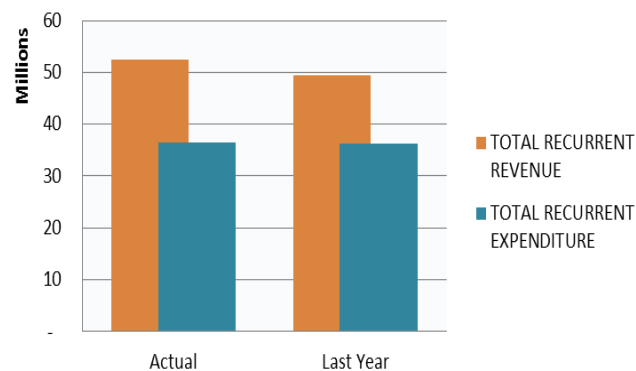
	Quarter 1 Results	
	Actual	Last Year
RECURRENT		
Revenue	52,414,891	49,460,718
Expenditure	(36,536,668)	(36,211,387)
Recurrent Surplus/Deficit	15,878,223	13,249,331
NON-RECURRENT		
Capital Receipts	8,237	1,215,091
Other Revenue Inflows	694,132	7,722,799
Capital Expenditure	(2,006,536)	(2,017,346)
Other Expenditure	(3,808,638)	(4,211,396)
Non-Recurrent Surplus/ (Deficit)	(5,112,805)	2,709,148
OPERATING SURPLUS/DEFICIT	10,765,418	15,958,479
Bond Repurchase Inflow	537,736	-
Debt Servicing	(2,331,883)	(1,579,866)
Borrowings	-	-
Other Debt Payments	(501,000)	(501,000)
Special Contingency Provision		
Transfer to National Forfeiture Fund	(144,750)	
Transfer to Sinking Fund	(2,624,353)	-
NET SURPLUS/DEFICIT	5,701,168	13,877,612

Government revenue continues to steadily improve following the recent global economic recession. The above analysis shows a total Recurrent Revenue of US \$52.4 million was collected in the first quarter. This performance reflects growth of US \$3 million or 6% for the quarter under review, when compared to the first quarter result for the previous year. Recurrent expenditures totaling US \$36.5 million on the other hand was almost on par with last year's first quarter results recording a slight increase of 1%. This resulted in a recurrent surplus of US \$15.8



million for the quarter, a US \$2.6 million or 20% increase over last year's results for the first quarter. Non-Recurrent Revenues for the quarter totaled approximately US \$0.7 million. It should be noted that although last year's first quarter results are US \$8.2 million or 92% greater than Non-Recurrent Revenue of this year, last year's figure includes US \$7.5 million for the sale of shares in Provo Water Company.

Comparison of Recurrent Revenue & Expenditure

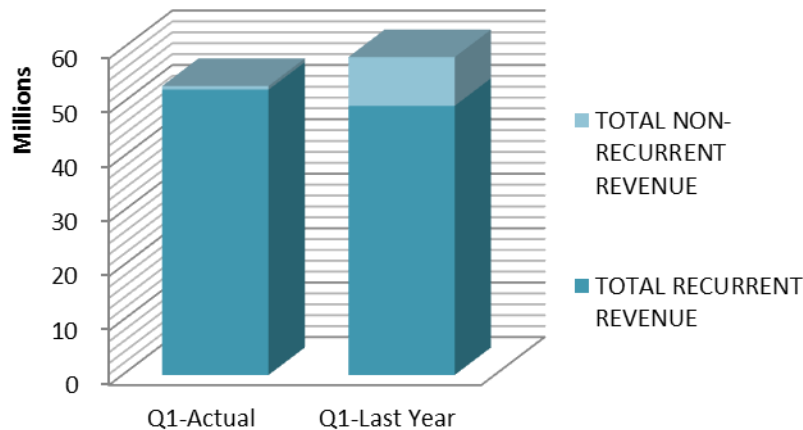


Non- Recurrent expenditures totaling US \$5.8 million, including capital expenditure US \$2 million, were incurred and that was a US \$0.4 million or 7% less than the first quarter results of last year. These resulted in an overall cash operating surplus of US \$10.8 million for the quarter under review, which was used to fund debt service repayments of US \$2.3 million, other debt payments of US \$0.5 million, transfer to the National Forfeiture Fund of US \$0.14 million and a transfer to the Sinking Fund of US \$2.6 million. Bond Repurchase inflows for the quarter totaled US \$0.5 million. The net cash surplus for the first quarter is US \$5.7 million, representing a US \$8.2 million or 59% decrease from that of last year, which included US \$7.5 million received for sale of shares in Provo Water Company and a US \$6 million FCO Grant Received.



REVENUE PERFORMANCE

Q1- Total Revenue Analysis



The outturn for the first quarter FY2013/14 indicates that Revenues totaled US \$53.1 million, including Recurrent Revenue totaling US \$52.4 million. This resulted in a US \$5.3 million or 9% decrease when compared to the first quarter results of US \$58.4 million for last year. However, included in last year's total are US \$6 million FCO Grant received and also US \$7.5 million received from the sale of shares in Provo Water Company.

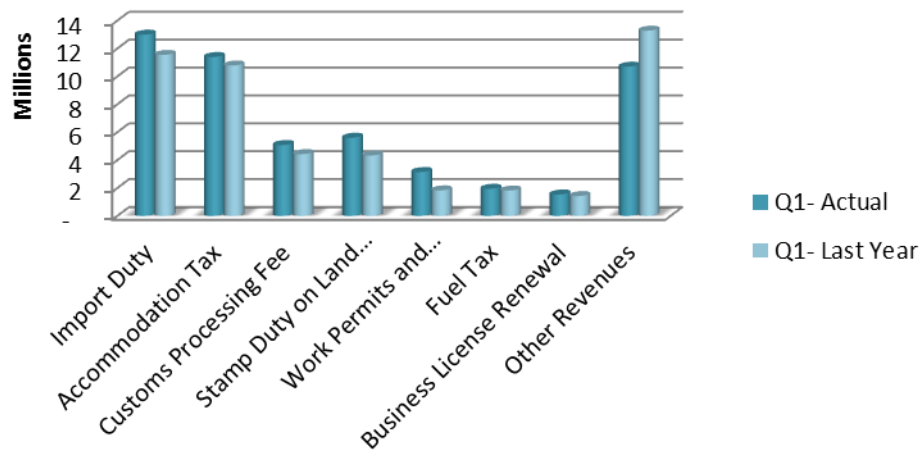
Recurrent Revenue

RECURRENT REVENUE	Actual \$	Last Year \$
Import Duty	12,992,897	11,544,344
Accommodation Tax	11,392,752	10,785,738
Customs Processing Fee	5,082,978	4,433,286
Stamp Duty on Land Transactions	5,607,842	4,332,040
Work Permits and Residency Fees	3,147,690	1,830,433
Fuel Tax	1,948,611	1,825,139
Business License Renewal	1,542,674	1,428,074
Other Revenues	10,699,447	13,281,666
TOTAL	52,414,891	49,460,718



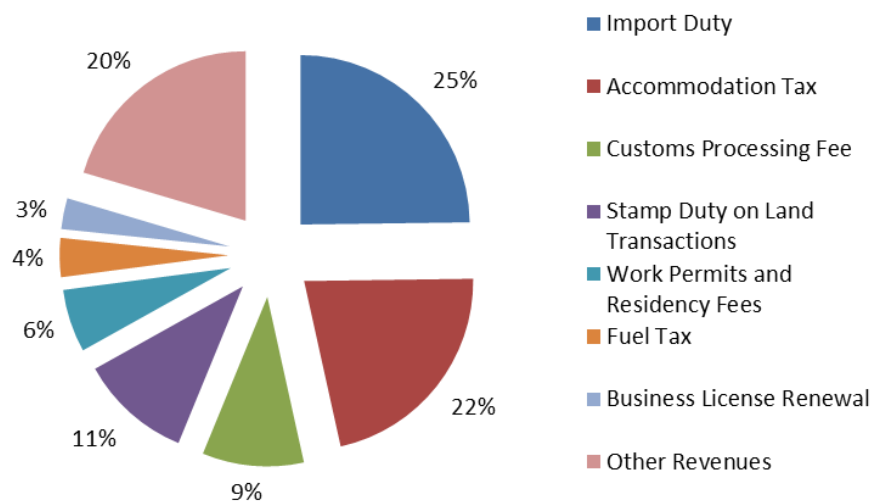
The above table shows Recurrent revenues for the quarter totaled US \$52.4 million and accounted for nearly all (99%) of this quarter's revenue. When compared with the same period in FY2012/13, these revenues recorded a 6% or US \$3 million increase. The diagram below shows a comparison by type of Actual to Previous Year's results of recurrent revenues for the quarter.

Recurrent Revenue Comparison



The Diagram below shows an analysis of Total Recurrent Revenue Distribution by Revenue Head.

Recurrent Revenues





As seen in the diagram above, Import Duties and Accommodation Tax continue to be the major single sources of Government revenues, collectively accounting for 47% of recurrent revenues.

Import duties which accounted for 25% of recurrent revenues came in at US \$13 million, recording a \$US 1.5 million or 13% increase from last year’s results for similar period. This performance is due primarily to increased economic activities, after the downturn in the last quarter in anticipation of the implementation of VAT on April 1, 2013. Beginning July 2013 the Government is expecting to collect additional duty on freight and insurance.

Accommodation tax accounted for 22% of total recurrent revenues. This year’s results of US \$11.4 million showed a US \$0.6 million or 6% increase from last year’s results. The Government anticipates higher receipts from this revenue head following the implementation of the Accommodation Tax rate increase from 11% to 12%, which is scheduled to take effect in July 2013.

The table below shows further analysis of major revenue heads.

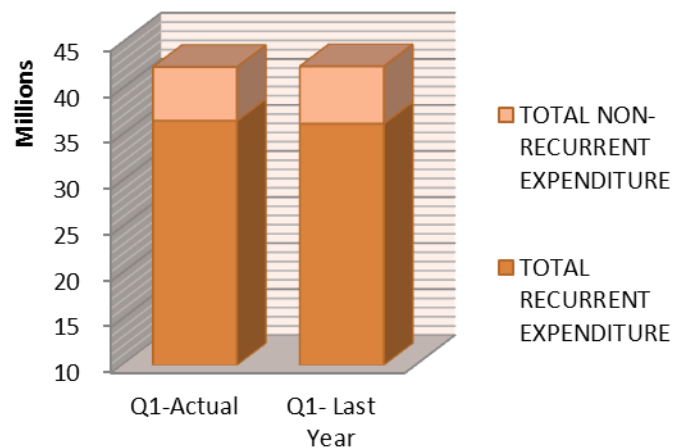
REVENUE HEAD	Actual	Last Year	Variance	Variance
	\$	\$	%	\$
Customs Processing Fee	5,082,978	4,433,286	15%	649,692
Stamp Duty on Land Transactions	5,607,842	4,332,040	29%	1,275,802
Work Permits and Residency Fees	3,147,690	1,830,433	72%	1,317,257
Fuel Tax	1,948,611	1,825,139	7%	123,472
Business License Renewal	1,542,674	1,428,074	8%	114,600
Telecommunication License	773,715	302,762	156%	470,952
Vehicle License Renewals	409,731	600,337	-32%	(190,607)
Bank Services Tax	534,196	474,458	13%	59,738
Communication Tax	564,995	601,452	-6%	(36,456)
Port Authority Net Revenue	506,594	292,323	73%	214,271
Insurance Premiums Tax	317,953	241,602	32%	76,351
Other Revenues	4,867,907	9,885,068	-51%	(5,017,161)



NON-RECURRENT REVENUE	Actual	Last Year
	\$	\$
Sale of Shares	-	7,500,000
Civil Recovery Income	400,669	-
Sale of Land	293,463	222,799
Revenue from Grants - Capital Receipts	8,237	1,215,091
TOTAL NON-RECURRENT REVENUE	702,369	8,937,890

EXPENDITURE

Q1- Total Expenditure



The outturn for the first quarter shows Total expenditure for the first quarter of FY2013/14 standing at US \$42.4 million. This result was basically at par with last year's first quarter results, with a marginal 0.21% decrease.

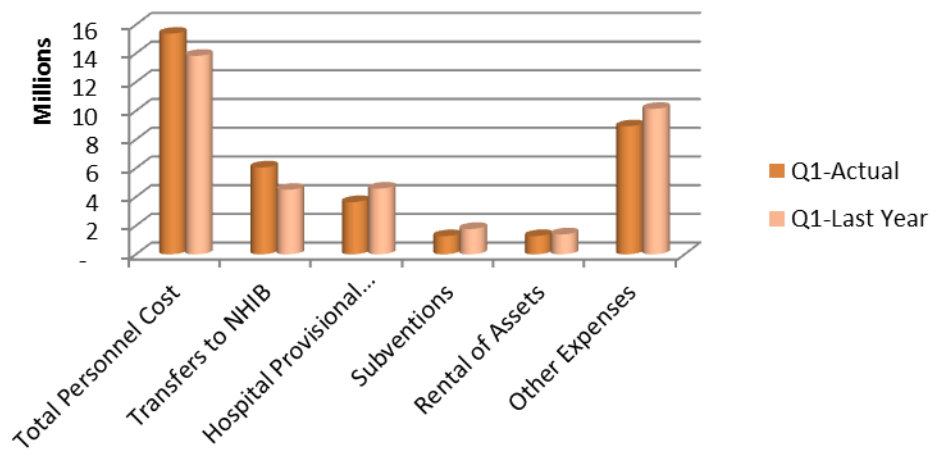
Recurrent Expenditure

Although the Budget has not been passed by the end of the first quarter, an advance warrant in the amount of US \$60 million was issued to cover recurrent expenditure for up to four months. As of the first quarter, three months ending June 30th 2013, Recurrent Expenditure totaled US \$36.5 million and accounted for 86% of total expenditure for the quarter.

The diagram below shows a comparison the first quarter results for this year and last year.

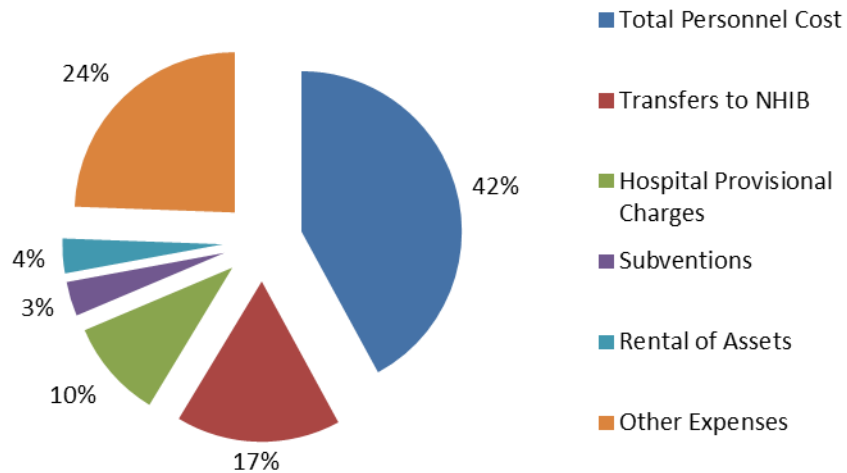


Recurrent Expenditure Comparison



The diagram below shows an analysis of total recurrent expenditure by head.

Recurrent Expenditure



As seen in the diagram above Personnel Cost, Transfer to NHIB and Hospital Provisional Charges are the major single items of Government recurrent expenditure, collectively accounting US \$25 million or 69% of its total in the first quarter.



Total Personnel cost for the quarter under review came in at US \$15.4 million, resulting in an US \$1.5 million or 11% increase from that of the same time last year. This can be attributed to 10% being reinstated on both Salaries and wages during February of 2013.

Details of the first quarter results for recurrent expenditure can be found in the tables below.

RECURRENT EXPENDITURE	Actual	Last Year	Variance
	\$	\$	%
Total Personnel Cost	15,371,201	13,828,506	11%
Transfers to NHIB	6,057,393	4,500,000	35%
Hospital Provisional Charges	3,643,210	4,581,528	-20%
Subventions	1,268,187	1,770,761	-28%
Rental of Assets	1,276,623	1,393,110	-8%
Other Expenses	8,920,054	10,137,483	-12%
TOTAL RECURRENT EXPENDITURE	36,536,668	36,211,387	1%

OTHER RECURRENT EXPENDITURE	Actual	Last Year	Variance
	\$	\$	%
Operating Expenses	1,171,933.81	995,695	18%
Maintenance Expenses	1,111,807.26	600,798	85%
Professional & Consultancy	374,404.73	111,933	234%
Grants and Contributions	346,359.20	608,319	-43%
Utilities	1,198,192.58	1,479,603	-19%
Other Recurrent Expenditure	4,717,356.79	6,341,135.34	-26%
TOTAL OTHER RECURRENT EXPENDITURE	8,920,054	10,137,483	-12%



Non-Recurrent Expenditure

As seen in the table below non-recurrent expenditure totaled US \$5.6 million for the quarter under review. Included in this figure are US \$2 million spent on capital projects.

NON-RECURRENT EXPENDITURE	Actual	Last Year	Variance
	\$	\$	%
Capital Expenditure	2,006,536	2,017,346	-1%
SIPT	1,320,329	1,809,721	-27%
Civil Recovery	1,761,386	1,752,809	0.5%
Historic Liabilities	-	41,469	-100%
Interest	726,923	607,397	20%
TOTAL NON-RECURRENT EXPENDITURE	5,815,174	6,228,742	-7%

CONCLUSION

The performance in the first quarter depicts a quite promising start for the year as a whole. As anticipated, there has been some improvement in the performance of both revenue and expenditure when compared to last year's results for similar period. Despite this improvement however, revenue collections remained moderate. More effort to collect and adequately capture revenues remain critical in the medium to long term, and ensuring continued discipline with respect to keeping expenditures within the Budget and where necessary identifying potential savings. These are critical if the Government is to effectively implement and achieve its strategic aim of building up sufficient reserves to enable it meet with future loan repayments. It is hoped that the Ministry of Finance can continue to work in conjunction with other Ministries and Departments to ensure that these objectives are met for the betterment of this country

**APPENDIX A: Recurrent Revenue by Ministry**

Ministry/Program/Account	Quarter 1 Revenue Collected
	\$
03 Police	3,000
009 Police General	
Gun Licences	3,000
04 Attorney General's Chambers	5,860,738
12 Attorney General's Chambers	
Sale of Law Books	4,175
054 Survey and Mapping	
Map sales	6,265
Other Receipts	40
Registration fees	140
Survey fees	10,445
066 Land Registry	
Fees for Official Search, Inspectio	52,543
Registration fees	74,402
Stamp duty on land transactions	5,607,842
Time Sharing Fees	50
104 Crown Land Unit	
Application Fees Companies	6,050
Crown land rents received	98,787
05 Judiciary	333,178
013 Judiciary Department	
Court and Office fees	201,157
Fines and forfeitures	117,586
Liquor licences	14,435
16 Ministry of Border Control and Labour	4,708,355
061 Immigration Department	
Immigration Refunds	(700)
Overtime Cost recovered	179,610
Temporary Work Permits	204,850
Travel Documents	11,675
Visas	53,165
062 Labour Department	
Labour Clearance Fees	153,649
Work Permits and Residency Fees	3,147,690
Work Permits Repatriation Program	291,700
073 Registrar General	
Belongers Status	20,200



Ministry/Program/Account	Quarter 1 Revenue Collected
	\$
Immigration Refunds	(78,370)
Legal fees recovered	67,300
Naturalisation Fees	77,730
Other Receipts	130
Permanent Residency Fees	454,105
Stamp duty Miscellaneous	80,076
Travel Documents	45,545
51 Ministry of Environment & Home Affairs	830,037
051 Road Safety	
Drivers Licence	152,308
Road Safety Fines	141
Taxi Meters	180
Vehicle Licence	409,731
055 Planning Department	
PDA application fees	75,707
086 Agriculture Department	
Animal Importation Permit	5,730
Animal License	1,300
Farm Sales	1,070
100 DECR and Maritime	
Fishing licence	26,365
National Parks Fees	80,470
Sand and Quarry Licences	11,000
Sand and Quarry Royalties	43,628
Scientific Research Permit	2,000
Ship Registration and Tonnage	20,408
52 Government Support Services	347,035
043 Engineering and Maintenance Service	
Tender Document Fees	80
044 Water Undertaking	
Other Receipts	1,144
Sale of water	208,018
047 TCI Publishing	
Printing for third parties	21,731
048 Postal Services	
Mail Box Rental	11,795
Other Postal Services	5,961
Sale of Stamps	25,835
077 Electrical Department	
Water and Sewage Related Operations	200
110 Ministry of Government Support Serv	
Other Receipts	7,914



Ministry/Program/Account	Quarter 1 Revenue Collected
	\$
Rent of Government property	50,551
Salt Cay Boat Fees	5,709
115 Broadcasting Department - RTC	
Other Receipts	8,098
54 Ministry of Finance and Trade	40,130,688.48
019 Customs Department	
Aviation Fuel Royalty	103,900
Berthing fees	6
Customs Processing Fee	5,082,978
Customs Service Charge	12
Customs Refunds	(14,520)
Duty free shops Royalties	278,546
Export duty	117
Freight & Insurance Tax	
Fuel Tax	1,948,611
Import duty	12,992,897
Overtime Cost recovered	445,960
Penalties	14,178
Sale of confiscated goods	2,750
Warehouse rents	6,261
020 Financial Services Commission	
Financial Service Commission Net Re	2,000,000
021 Treasury Department	
Other Receipts	10,000
024 Gaming Inspectorate	
Casino Certificates	6,600
Casino licences	125,100
Casino Permits	1,350
Casino Winning Tax	
Gaming Location Licence	172,500
Gaming Machine Tax	426,035
Lottery Tax	91,341
025 Revenue Control Unit	
Administration Fees/Businesss Licen	1,400
Arrears of Revenue	814
Bank Services Tax	564,995
Business Licence Application	133,801
Business Licence Renewal	1,542,674
Circulatory Coins	141
Commemorative Coins	270
Dishonoured Revenue Cheques	



Ministry/Program/Account	Quarter 1 Revenue Collected
	\$
Hotel & Restaurant Tax	11,392,752
Hotel Inspection Fees	3,880
Insurance Premiums Tax	317,953
Interest Income	204,869
Other Receipts	43,040
Revenue Prior Year Adjustments	8,259
Stamp Duty - Vehicle Hire	243,929
Stamp duty Miscellaneous	34,365
078 Port Administration	
Port Authority Excess Revenue	506,594
105 Tourist and Trade Department	
Communications Tax	534,196
Telecommunications licence	773,715
119 TCInvest Banking Unit	
Interest Income	128,421.83
55 Ministry of Health	44,264
029 Dental Department	
Dental fees	8,230
030 Primary Health Care	
Medical fees and charges	15,034
Migrant Processing Fee	19,960
057 Environmental Health Department	
Garbage Collection	1,040
57 Ministry of Education	157,595
034 Education Department - Zone 1	
Examination fees	477
Sale of books	3,188
Sale of Past Papers	78
Sale of Text Books	871
035 Tertiary and Further Education	
Contributions towards Special Schoo	125,187
122 Sports Commission	
Other Receipts	22,135
Rent of Government property	475
124 Library	
Other Receipts	2,554
Penalties	78
Printing for third parties	1,064
Rent of Government property	1,475
Sale of books	13
Grand Total	52,414,891

**APPENDIX B: Recurrent Expenditure by Ministry**

Head of Expenditure	Quarter 1 Expenditure	Amount Authorised	Balance
01 Governor's Office	456,006	669,556	213,550
Elections Office	27,968	37,730	9,762
Governor's Office	174,802	274,924	100,122
Integrity Commission	150,000	166,667	16,667
Office of the Chief Internal Auditor	103,235	47,993	(55,242)
National Audit Office	-	142,242	142,242
03 Police	3,916,190	4,999,105	1,082,915
Police General	3,916,190	4,999,105	1,082,915
04 Attorney General's Chambers	3,986,041	5,325,592	1,339,551
Attorney General's Chambers	3,691,833	4,554,102	862,269
Crown Land Unit	88,088	125,930	37,842
Land Registry	72,922	82,960	10,038
Survey and Mapping	94,502	161,165	66,663
Valuation Department	38,696	63,115	24,419
Director of Public Prosecutions*	-	338,321	338,321
05 Judiciary	762,493	1,848,494	1,086,001
Judiciary Department	762,493	1,848,494	1,086,001
06 Audit Department	2,066	-	(2,066)
Audit Department**	2,066	-	(2,066)
07 Office of the Premier	47,608	49,687	2,079
Premier's Office & Ministry of Tourism	47,608	49,687	2,079
14 Statutory Charges	2,824,622	10,749,338	7,957,172
Debt Servicing	726,923	2,567,005	1,840,082
Other Statutory Charges	1,023,560	6,515,667	5,492,107
Pension and Gratuities	1,074,139	1,666,667	592,528
16 Ministry of Border Control and Labour	1,347,703	1,596,669	248,966
Immigration Department	898,366	982,279	83,913
Labour Department	201,916	270,339	68,423
Labour Tribunal	72,148	93,825	21,677
Ministry of Border Control & Labour	93,259	134,862	41,603
Registrar General	82,014	112,363	30,349
51 Ministry of Environment & Home Affairs	1,786,771	3,439,472	1,652,701
Agriculture Department	115,621	179,568	63,947
DECR and Maritime	239,456	379,226	139,770
District Commissioner's Office	67,926	106,192	38,266
Fire Department (Domestic)	77,612	117,858	40,246



Head of Expenditure	Quarter 1 Expenditure	Amount Authorised	Balance
Ministry of Environment and Home Affairs	97025	143,870	46,845
Planning Department	118279	167,241	48,962
Prison	501329	652,062	150,733
Protected Areas	71391	83,933	12,542
Road Safety	121188	176,332	55,144
Social Development and Gender Affairs	376945	558,935	181,990
Environmental Health Department***	-	874,254	874,254
52 Government Support Services	3,270,765	5,217,724	1,946,959
Broadcasting Department - RTC	92,998	-	(92,998)
Central Purchasing	219,357	212,595	(6,762)
Disaster Management	81,692	122,455	40,763
Electrical Department	31,434	54,581	23,147
EMS-Maintenance Division	500,781	1,302,639	801,858
EMS-Mechanical Services Division	111,420	197,502	86,082
EMS-Project Management Division	89,386	92,637	3,251
Engineering and Maintenance Services	84,093	145,687	61,594
Housing Department	1,344,907	1,956,699	611,792
Ministry of Government Support Services	292,878	177,559	(115,319)
Postal Services	98,268	124,834	26,566
TCI Publishing	30,557	42,118	11,561
Water Undertaking	292,994	399,033	106,039
Computer unit****	-	389,386	389,386
54 Ministry of Finance and Trade/Tourism	3,733,273	3,115,292	(617,882)
Budget Department	52446.42	49,500	(2,946)
Central Information Technology Unit	1046089.4	-	(1,046,089)
Customs Department	753834.87	853,509	99,674
Exchange of Information Unit	17335.22	-	(17,335)
Gaming Inspectorate	72521.3	123,675	51,154
Investment Unit	152694.24	-	(152,694)
Ministry of Finance, Trade and Tour	123556.06	235,986	112,430
Revenue Control Unit	304707.88	231,991	(72,717)
Strategic Policy and Planning Unit	113990.59	161,856	47,865
TCInvest Banking Unit	26579.68	-	(26,580)
Tourist and Trade Department	800322.44	1,111,928	311,606
Treasury Department	269194.69	346,847	77,652
55 & 57 Ministry of Health and Education	17,588,292	22,337,191	4,748,899
55 Health	12,943,220		
AIDS Department	57636	95,931	38,295
Dental Department	143788	171,505	27,717



Head of Expenditure	Quarter 1 Expenditure	Amount Authorised	Balance
Drug and Mental Health Unit	127473	296,137	168,664
Emergency Medical Service (Ambulance)	121106	170,333	49,227
Environmental Health Department	857957	-	(857,957)
Health	10978877	14,137,538	3,158,661
Primary Health Care	359773	504,580	144,807
Public Health Laboratories	46323	60,613	14,290
Special Needs Unit	249931	440,257	190,326
Youth, Sports and Culture	357	-	(357)
57 Education	4,645,072		
Clement Howell High School	765353	936,929	171,576
Culture	36517	-	(36,517)
Education	187201	517,452	330,251
Education Administration - Zone 1	85790	126,682	40,892
Education Administration - Zone 2	65171	108,067	42,896
Education Department - Zone 1	633290	746,439	113,149
Education Department - Zone 2	1095570	1,312,439	216,869
Helena Jones Robinson High School	471128	624,548	153,420
Library	37717	-	(37,717)
Marjorie Basden High School	225829	283,761	57,932
Raymond Gardiner High School	268397	330,008	61,611
Sports Commission	137579	-	(137,579)
Tertiary and Further Education	592505	1,393,333	800,828
Youth Department	43025	80,639	37,614
56 Office of the Chief Executive	358,289		(358,289)
Cabinet Secretariat	2,670		(2,670)
Deputy Governors Office	112,300		(112,300)
House Of Assembly	27,494		(27,494)
Human Resource Directorate	140,156		(140,156)
Inward Investment	12,693		(12,693)
Public Service Commission	30,839		(30,839)
Training Unit	31,858		(31,858)
Unallocated Staff	277		(277)
58 Department of Public Prosecutions	265,188		(265,188)
Public Prosecutions	265,188		(265,188)
Grand Total	40,345,306	60,015,631	19,702,879

* Actual for Department of Public Prosecutions Reported under own head

** Budget for Audit Department included in that of National Audit office

*** Actual for Environmental Health department reported under Ministry of Health

**** Actual for Computer Unit reported under Ministry of Finance Central Information Technology Unit