



Turks & Caicos Islands

2015-16 Fourth Quarter Financial Report

January to March 2016

Prepared by the Office of the Accountant General

April 26th, 2016

Information presented in this Fourth Quarter Financial Report is unaudited

FOREWORD

This quarterly financial report (unaudited) presents a summary of the results of operations of the Government of the Turks and Caicos Islands for the fourth quarter of the financial year 2015-16. 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 an 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 and decision-making.

This enables the Government to monitor more closely the usage of public funds and the associated risks and challenges, so that where corrective measures may be required, they can be undertaken earlier. Likewise, the public, financial institutions, and other stakeholders are able to monitor the finances of the Government and are reassured that financial decisions are in accordance with prudent financial management.

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Arnold Ainsley (Mr)

Accountant General

April 26, 2016

1 FISCAL SUMMARY

	Quarter 4 2015/16			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%	\$ 000's	\$ 000's	\$ 000's	\$ 000's	%	\$ 000's	%
Recurrent Revenue	70,696.0	63,592.8	68,161.5	7,103.3	11%	2,534.5	4%	259,812.1	231,909.1	246,461.7	27,903.0	12%	13,350.4	5%
Recurrent Expenditure	56,308.0	42,301.6	48,669.6	(14,006.4)	(33%)	(7,638.4)	(16%)	185,433.9	197,244.2	162,671.5	11,810.4	6%	(22,762.4)	(14%)
Net Recurrent Surplus	14,388.0	21,291.2	19,491.9	(6,903.2)	(32%)	(5,103.9)	(26%)	74,378.2	34,664.9	83,790.2	39,713.4	115%	(9,412.0)	(11%)
Non-Recurrent Revenue	290.2	5,275.0	261.2	(4,984.8)	(94%)	29.0	11%	5,542.2	6,215.5	6,492.2	(673.3)	(11%)	(950.0)	(15%)
Non-Recurrent Expenditure	4,393.5	3,825.8	3,866.6	(567.7)	(15%)	(526.9)	(14%)	11,357.6	11,391.3	12,749.5	33.7	0%	1,391.9	11%
Operating Surplus	10,284.7	22,740.4	15,886.4	(12,455.7)	(55%)	(5,601.8)	(35%)	68,562.8	29,489.0	77,533.0	39,073.8	133%	(8,970.2)	(12%)

The unaudited results for the quarter ended March 31, 2016, recorded a surplus of \$10.3 million, \$12.5 million lower than expected, primarily due to expected higher than budgeted expenditure during the quarter, in an attempt to absorb some of the previously reported shortfalls.

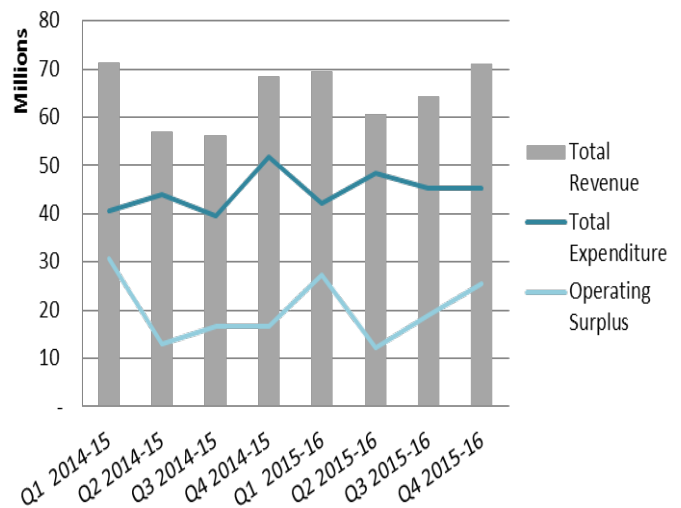
Recurrent revenue for the fourth quarter totalled \$70.7 million, \$7.1 million or 11% higher than expected and \$2.5 million or 4% above last year's outturn of \$68.2 million. This was due to strong performance in both the tourism and real estate sectors.

Recurrent expenditure for the fourth quarter was \$56.3 million, an increase of \$14.0 million or 33% from the 3 months estimate and \$7.6 million or 16% above the prior year's expenses.

Non-recurrent Revenue totalled \$0.3 million for the fourth quarter. The significant quarterly variance to budget is due to the Grant of \$5.0 million that was received from the European Union during the third quarter instead of the fourth as was forecast.

Non-recurrent expenditure of \$4.4 million came in 15% or \$0.6 million above budget and above last year's outturn by 14%.

REVENUE & EXPENDITURE BY QUARTER



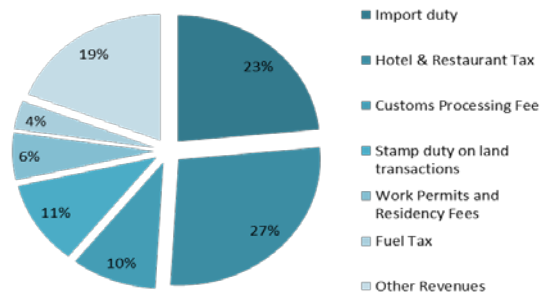
Operating surplus for the year ended March 31, 2016, was \$68.6 million, \$39.1 million higher than expected while being \$9.0 million or 12% below last year's outturn of \$77.5 million.

Recurrent revenue for the financial year was recorded at \$259.8 million, \$27.9 million or 12% higher than the budgeted amount and an increase of 5% from last year's outturn of \$246.5 million. This was primarily due to continued strong performance in the real estate sectors and better than expected tourist arrivals throughout the year.

Recurrent expenditure for the financial year was \$185.4 million, \$11.8 million or 6% below the budget estimates, due mainly to lower than expected personnel and other operating expenses while being up \$22.8 million or 14% from the prior year's outturn.

Non-recurrent expenditure of \$11.4 million was on par with the budget while being below last year's outturn by 11% or \$1.4 million.

RECURRENT REVENUES Q4 FY 2015-16



2 REVENUE & EXPENDITURE

Total Fourth Quarter Revenue - \$71.0 million

Revenue	Quarter 4 2015/16		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Import duty	16,593	14,410	16,044
Hotel & Restaurant Tax	19,392	18,968	18,768
Customs Processing Fee	6,891	6,766	7,018
Stamp duty on land transactions	7,567	6,500	6,967
Work Permits and Residency Fees	4,241	3,464	4,245
Fuel tax	2,561	2,294	2,375
Other Revenues	13,452	11,192	12,744
Total Recurrent Revenue	70,696	63,593	68,161
Nonrecurrent Revenue	290	5,275	261
Total Revenue	70,986	68,868	68,423

Recurrent Revenue for the fourth quarter was \$70.7 million, primarily derived from Hotel and Restaurant Tax totalling \$19.4 million and Import Duties of \$16.6 million, which came in a significant 15% above the budget, together accounting for 51% of Recurrent Revenue. Customs Processing Fee and Stamp Duty on Land Transactions accounted for 10% and 11% of Recurrent Revenue respectively while Work Permits & Residency Fees and Fuel Tax together accounted for a further 10% of Recurrent Revenue.

Total Fourth Quarter Expenditure - \$60.7 million

Expenditure	Quarter 4 2015/16		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Personnel Costs	19,829	17,247	16,527
Transfers to NHIB	5,358	4,836	5,343
Hospital Provisional Charges	7,811	5,631	6,272
Subventions	3,166	2,491	1,311
Rental of Assets	1,452	1,046	1,209
Other Recurrent Expenditure	18,692	11,051	9,875
Total Recurrent Expenditure	56,308	42,302	40,537
Nonrecurrent Expenditure	4,394	3,826	1,300
Total Expenditure	60,702	46,127	41,837

Recurrent Expenditure for the fourth quarter of \$56.3 million was due largely to Personnel Costs of \$19.8 million, which was \$2.6 million or 15% above the budget and accounted for 35% of Recurrent Expenditure, due to Supplement Appropriation #3, which utilised a large portion of the under-expenditure reported the first 3 quarters. Transfers to NHIB and Hospital Provisional Charges together accounted for a further 23%. All other items made up the remaining 42% of Recurrent Expenditure.

Total Revenue for the Year - \$265.4 million

Revenue	Year to Date		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Import duty	67,331	59,977	61,572
Hotel & Restaurant Tax	58,187	54,681	51,850
Customs Processing Fee	27,995	28,672	28,646
Stamp duty on land transactions	26,846	18,537	25,826
Work Permits and Residency Fees	18,132	15,000	17,698
Fuel Tax	9,030	8,576	8,685
Other Revenues	52,291	46,466	52,186
Total Recurrent Revenue	259,812	231,909	246,462
Nonrecurrent Revenue	5,542	6,216	6,492
Total Revenue	265,354	238,125	252,954

Total Recurrent Revenue for the year continued to exceed expectations, recording \$259.8 million, which represents a favourable variance of \$27.9 million, or 12% when compared to the budgeted amount of \$231.9 million and a positive variance of \$13.4 million or 5% when compared to the results of the same period last year.

Non-recurrent Revenue for the year totalled \$5.5 million, down \$0.7 million from the budgeted amount, attributed mainly to a \$5.0 million grant received from the European Union.

Total Expenditure for the Year - \$196.8 million

Expenditure	Year to Date		
	Actual	Budget	Prior Year
<i>(Figures in US\$'000)</i>			
Personnel Costs	75,158	79,777	67,864
Transfers to NHIB	19,503	19,503	19,687
Hospital Provisional Charges	23,666	23,666	23,235
Subventions	9,664	10,380	8,168
Rental of Assets	5,084	5,162	4,924
Other Recurrent Expenditure	52,360	58,756	38,793
Total Recurrent Expenditure	185,434	197,244	162,671
Nonrecurrent Expenditure	11,358	11,391	12,749
Total Expenditure	196,791	208,636	175,421

Total Recurrent Expenditure for the year of \$185.4 million was \$11.8 million or 6% below the budgeted amount of \$197.2 million and \$22.8 million or 14% above the results of the same period last year.

Non-recurrent Expenditure for the year totalled \$11.4 million, which was on par with the budget amount and 11% or \$1.4 million below last year's outturn.

3 REVENUE & EXPENDITURE BY MINISTRY

REVENUE

(Figures in US\$'000)

	Quarter 4				Full Year			
	Actual	Budget	Variance		Actual	Budget	Variance	
Police	90	75	15	20%	109	102	7	7%
Attorney General's Chambers	7,875	6,711	1,164	17%	27,850	19,559	8,291	42%
Judiciary	304	262	42	16%	1,087	1,050	37	4%
Statutory Charges	290	275	15	6%	5,542	1,216	4,327	356%
Border Control & Employment	6,254	4,322	1,932	45%	26,174	19,948	6,226	31%
Finance Trade & Investment	52,687	54,533	(1,845)	(3%)	193,046	185,611	7,435	4%
Education Youth Sports & Culture	76	99	(23)	(23%)	538	399	139	35%
Home Affairs, Transportation & Communication	1,490	1,290	201	16%	4,646	3,780	866	23%
Infrastructure Housing & Planning	378	306	72	24%	1,144	1,488	(343)	(23%)
Tourism Environment Heritage & Culture	1,456	909	548	60%	4,912	4,627	286	6%
Health Agriculture & Human Services	85	86	(1)	(2%)	305	345	(40)	(12%)
TOTAL RECEIPTS	70,986	68,868	2,118	3%	265,354	238,125	27,230	11%

EXPENDITURE

(Figures in US\$'000)

	Quarter 4				Full Year			
	Actual	Budget	Variance		Actual	Budget	Variance	
Governor's Office	947	1,110	163	15%	3,570	4,328	758	18%
Police	6,966	3,050	(3,915)	(128%)	23,096	23,741	645	3%
Attorney General's Chambers	4,614	3,171	(1,444)	(46%)	11,344	11,178	(165)	(1%)
Judiciary	2,166	1,360	(807)	(59%)	5,854	8,496	2,643	31%
Statutory Charges	4,758	4,575	(183)	(4%)	12,981	13,668	688	5%
Border Control & Employment	1,658	1,496	(162)	(11%)	5,753	6,853	1,100	16%
Finance Trade & Investment	3,857	3,528	(329)	(9%)	14,618	15,321	703	5%
Deputy Governor's Office	743	444	(299)	(67%)	1,968	2,145	177	8%
Education Youth Sports & Culture	6,793	6,143	(650)	(11%)	25,108	26,388	1,279	5%
Director of Public Prosecutions	358	386	28	7%	2,148	2,225	78	3%
Home Affairs Transportation & Communication	2,633	1,686	(946)	(56%)	8,745	9,237	492	5%
Infrastructure Housing & Planning	4,505	3,306	(1,199)	(36%)	15,347	15,855	508	3%
Tourism Environment Heritage & Culture	2,169	1,363	(806)	(59%)	5,649	6,705	1,055	16%
Health Agriculture & Human Services	17,049	13,473	(3,576)	(27%)	55,783	57,092	1,309	2%
House of Assembly	683	694	11	2%	2,668	2,822	154	5%
Office of The Premier & District Administration	803	343	(460)	(134%)	2,160	2,581	421	16%
TOTAL PAYMENTS	60,701	46,127	(14,574)	(32%)	196,791	208,636	11,844	6%
OPERATING SURPLUS	10,285	22,740	(12,455)	55%	68,563	29,489	39,074	133%

Program expenditure was above budget for the fourth quarter of Financial Year 2015-16. All ministries expenditure outturn came in less than the estimated amounts for the financial year except for the Attorney General Chambers that incurred unavoidable unexpected consulting fees during the year in regards to some highly sensitive cases. Due to the timing of the expenditure, it was not possible to execute a supplementary appropriation.

The overall under-expenditure was a major contributor to the operating surplus for the year being \$39.1 million over the budgeted amount of \$29.5 million.

4 CASH FLOW

(Figures in US\$'000)

	Quarter 4 2015/16			Variance				Year to Date			Variance			
	Actual	Budget	Prior Year	Budget		Prior Year		Actual	Budget	Prior Year	Budget		Prior Year	
Cash Flow from Operations	10,284.7	22,740.4	15,886.4	(12,455.7)	(55%)	(5,601.8)	(35%)	68,562.8	29,489.0	77,533.0	39,073.8	133%	(8,970.2)	(12%)
Less:														
Capital Contributions	(3,342.5)	(9,677.7)	(4,049.8)	6,335.1	(65%)	707.2	(17%)	(11,558.8)	(26,404.7)	(7,948.4)	14,845.9	(56%)	(3,610.4)	45%
Debt Repayments	(170,598.9)	(170,806.7)	(906.8)	207.8	(0%)	(169,692.1)	18714%	(180,457.5)	(173,837.4)	(15,635.3)	(6,620.2)	4%	(164,822.2)	1054%
Borrowing	33,000.0	56,062.4	-	(23,062.4)	(41%)	-	-	33,000.0	56,062.4	-	-	-	-	-
Bond Inflows	-	208.3	-	(208.3)	(100%)	-	-	367.2	757.9	775.8	(390.7)	(52%)	(408.6)	(53%)
Transfers from/(to) NFF	-	-	-	-	-	-	-	-	-	102.1	-	-	(102.1)	(100%)
Transfers to Sinking Fund	(.7)	(19,148.0)	(50,000.0)	19,147.3	(100%)	49,999.3	(100%)	(.8)	(19,148.0)	(60,845.9)	19,147.2	-	60,845.1	-
Transfers from Sinking Func	110,000.0	116,591.2	-	(6,591.2)	(6%)	110,000.0	-	110,000.0	116,591.2	9,000.0	(6,591.2)	100%	101,000.0	100%
Net Workin Capital	1,168.5	-	-	1,168.5	-	1,168.5	-	5,239.1	-	2,862.4	5,239.1	-	2,376.7	83%
Net Cash Flows	(19,489.0)	(4,030.1)	(39,070.1)	(15,458.9)	384%	19,581.2	(50%)	25,152.0	(16,489.6)	5,843.8	41,641.6	(253%)	19,308.2	330%

The fourth quarter of fiscal 2015/16 recorded a negative cash flow of \$19.5 million compared to a budgeted cash deficit of \$4.0 million and a prior year cash deficit of \$39.1 million due to using a larger amount of accumulated cash to repay the UK guaranteed bond in February 2016 thereby reducing TCIG's indebtedness. The cash balance at the end of the fourth quarter was \$25.2 million, which was \$41.6 million over projected net cash deficit of \$16.5 million and \$19.3 million below the results for the same period last year.

To enhance the government's treasury management, an amount of \$15.0 million is currently placed in an on-call money market account at Scotiabank (Turks and Caicos), which is earning interest at a rate of 0.4% per annum.

5 OUTSTANDING PUBLIC DEBT

(Figures in US\$'000)

Debt Type	Opening	New Loans	As At March 31, 2016	
	01-Apr-15		Principal Repayment	Outstanding Principal
RBTT Bonds 2016 - Guaranteed	170,000.0		(170,000.0)	.0
Other TCIG Bank Loans - Unsecured	12,914.3	33,000.0	(2,785.2)	43,129.1
TCInvest Loans - Unsecured	8,823.9		(7,672.4)	1,151.6
Total Outstanding Public Debt	191,738.2	33,000.0	(180,457.5)	44,280.7

Total outstanding debt as of March 31, 2016, was \$44.3 million. Total debt repayments for the financial year were \$180.5 million.

TCIG borrowed \$28.0 million from the RBC Royal Bank Canada during the month of February as part of a refinancing arrangement to assist with the repayment of the \$170 million Bond during February 2016. TCIG also borrowed a Policy Based Loan of \$5.0 million from the Caribbean Development Bank during the month of March.

All loan principal and interest payments are up to date as of March 31st, 2016.

6 NATIONAL FORFEITURE FUND

The National Forfeiture Fund had a balance of \$5.7 million at March 31, 2016.

7 DEVELOPMENT FUND

The total amount spent on capital projects at the end of the fourth quarter of FY2015-16 was \$11.6 million, funded by capital contributions totalling the same amount provided by the Consolidated Fund. This outturn represented a \$14.5 million or 56% shortfall from the budgeted amount of \$26.4 million while being \$3.6 million above last year's expenditure of \$7.9 million.

Due to a recent amendment to the PFM Ordinance Section 18(2) (b), about \$14.8 million will be retained in the Development Fund to cover the cost of projects that were deemed committed on March 31, 2016.

8 FISCAL OUTLOOK

The performance for the financial year ended March 31, 2016, recorded very encouraging results for 2015/16. There were improvements in the performance of both revenue and expenditure when compared to the budget estimates and last year's results, which is a positive outcome in the case of revenue albeit a work in progress in the case of under-expenditure.

Recurrent revenue outturn for the financial year of \$259.8 million was notably above the budgeted amount by \$27.9 million, which surpassed the revised forecast of \$254 million.

Even though recurrent expenditure is below budget by \$11.8 million for the year, appropriate legislative compliance measures continued to be enforced, and emphasis continued on adherence to both the Public Finance Management and the Public Procurement Ordinances. Managing growth in program spending while achieving value for money and more efficient and effective public services remained a key component of the government's fiscal plan.

The Government remains committed to its objective of building a stronger and more resilient economy through fiscal discipline. TCIG is also keen to continue achieving fiscal surpluses, which will assist with paying down public debt, increase sustainability and provide additional funding to initiatives aimed at creating new investments and more job opportunities. The ability to repay the \$170 million guaranteed bond whilst borrowing less than envisaged to facilitate the transaction in the fourth quarter is evidence of the government's continued commitment to fiscal prudence.