

## MEDIA RELEASE – #2/2010

### The Auditor General comments on the 2008/09 Audited Financial Statements of the Bermuda Government's Consolidated Fund

Auditor General, Heather A. Jacobs Matthews, today comments on selected financial data from the 2008/09 audited financial statements of the Bermuda Government's Consolidated Fund, in comparison with results of prior years. The audited financial statements of the Consolidated Fund for the past six years can be viewed on the Accountant General's website at [www.acg.gov.bm](http://www.acg.gov.bm) under Resources.

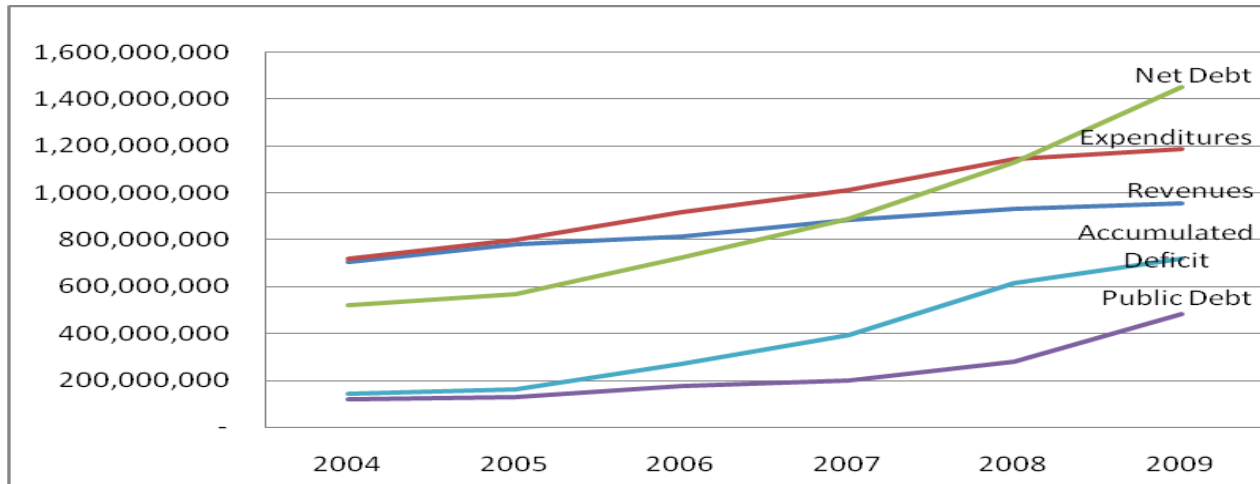
"The trend speaks to financial challenges going forward" said Mrs. Jacobs Matthews. "These challenges include a weakening cash position as evidenced by a substantial bank overdraft, expenditures significantly outstripping revenues, increasing long-term debt and, by extension, a growing deficit and public debt," she said.

According to the Auditor General, this type of analysis is very important to help Parliamentarians and the public understand the Consolidated Fund financial statements. "Trend information, such as that shown below, in both table and graphical format, can help put the current year's figures into context," said Mrs. Jacobs Matthews. "I encourage Government to produce its own analyses and discussion of the key trends each year to accompany the audited financial statements – as is done in other jurisdictions."

#### Excerpts from the Consolidated Fund Audited Financial Statements

	\$ millions					
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Cash	13.6	20.1	31.1	15.4	23.5	19.4
Financial Assets other than Cash	213.2	193.2	204.8	174.8	175.1	161.1
Non Financial Assets (Capital assets & prepaid supplies)	378.8	406.8	454.6	496.5	514.2	733.0
Bank Overdraft	-	-	-	-	-	147.3
Liabilities (excluding Bank Overdraft)	748.9	780.4	960.4	1,082.1	1,330.3	1,486.2
<b>Net Debt (Liabilities - Financial Assets)</b>	<b>522.2</b>	<b>567.2</b>	<b>724.5</b>	<b>892.0</b>	<b>1,131.7</b>	<b>1,452.9</b>
<b>Accumulated Deficit</b>	<b>143.4</b>	<b>160.4</b>	<b>270.0</b>	<b>395.5</b>	<b>617.5</b>	<b>719.9</b>
Long-term Debt	160.0	175.0	225.0	255.0	345.0	415.0
Sinking Fund	42.8	46.7	51.6	58.3	67.8	79.8
<b>Public Debt (Net of Sinking Fund)</b>	<b>119.5</b>	<b>130.4</b>	<b>175.2</b>	<b>198.2</b>	<b>278.3</b>	<b>483.3</b>
Public Debt Legislated Limit	250.0	250.0	375.0	375.0	375.0	1,000.0
<b>Revenues</b>	<b>705.5</b>	<b>782.5</b>	<b>814.1</b>	<b>883.7</b>	<b>928.5</b>	<b>952.8</b>
<b>Expenditures</b>	<b>720.2</b>	<b>799.5</b>	<b>916.9</b>	<b>1,014.7</b>	<b>1,143.7</b>	<b>1,187.0</b>
Interest expense on debt	9.1	9.0	10.9	14.5	18.5	21.8

*(Highlighted figures are depicted in the graph below)*



The above graph shows expenditures consistently outpacing revenues, year over year, fueling increased borrowings to carry out the Government's programmes. To support the increasing debt, the Public Debt Legislated Limit was increased from \$375 million in 2008 to \$1 billion in 2009. The following provides a brief explanation of Net Debt, the Accumulated Deficit and the Public Debt.

- Net Debt is the difference between total liabilities and total financial assets. It arises due to Government's spending exceeding its revenues over time. Net Debt represents the extent to which future revenues will be required to pay for past transactions. At the end of March 31, 2009, net debt rose to \$1.45 billion, up \$321.2 million from March 31, 2008.
- The Accumulated Deficit represents the difference between the Consolidated Fund's total liabilities (what it owes) and its total assets (what it owns). At March 31, 2009, the accumulated deficit stood at \$719.9 million, up \$102.4 million from March 31, 2008.
- The Government Loans Act 1978 defines Public Debt as debt owed or guaranteed by the Consolidated Fund, net of the Sinking Fund. The Sinking Fund is money set aside to repay Government Loans. At March 31, 2009, the Public Debt (net of the Sinking Fund totaling \$79.8 million) stood at \$483.3 million and included the following:
  - \$75 Million US\$ Senior Notes Due June 2014
  - \$200 million US\$ Loan Facility Due June 2010
  - \$140 million US\$ Senior Notes Due December 2022
  - \$147.2 million BD\$ in Overdrafts
  - \$0.8 million for the National Education Guarantee Scheme

Subsequent to the year end, and as shown in note 19 of the 2008/09 Consolidated Fund financial statements, the Government negotiated further borrowings of \$160 million and \$15 million respectively. In addition, the Government entered into a \$200 million guarantee with the Bank of Butterfield. These subsequent events effectively increased the Public Debt by \$375 million to in excess of \$850 million.

**NOTE OF CAUTION:** “The public is advised that the Consolidated Fund financial statements cover only the financial results and position of Government ministries and departments, the House of Assembly, the Senate and the courts” explained Ms. Matthews. “They do not include the financial results or the financial position of other government-controlled organizations such as the Bermuda Hospitals Board, the Bermuda Housing Corporation and the Bermuda College.” Ms. Matthews cautioned that, consequently, the Consolidated Fund statements do not show the overall financial results or financial position of the Government of Bermuda as a whole. It is anticipated that the Accountant General will present consolidated financial statements for the Government of Bermuda as of March 31, 2010.