



GOVERNMENT OF BERMUDA

Financial Statements

of the

Consolidated Fund

March 31, 2020

Issued by
Ministry of Finance
The Accountant General

**Government of Bermuda – Consolidated Fund
Financial Statements
March 31, 2020**

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Government of Bermuda – Consolidated Fund

Introduction

March 31, 2020

Introduction to the Public Accounts

In accordance with the *Public Treasury (Administration & Payments) Act*, the Ministry of Finance produces the Public Accounts annually to report on the operating results and financial condition of the Government. The Public Accounts include general-purpose financial statements meant to meet the needs of a variety of users. They are not prepared on a consolidated basis, which means that they include the financial information of the departments and public service units of government, but not Quangos, boards, and other entities owned or controlled by the Government.

These financial statements are prepared in accordance with Canadian public sector accounting standards. For purposes of the Government's financial statements, this refers to the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) 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), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.

The 2020 Public Accounts commence with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is prepared by the Ministry of Finance. The information included in the FSD&A is based on the audited financial statements of the Consolidated Fund. The information provided includes narrative explanations and graphical illustrations highlighting the key relationships that exist among the quantitative representations set out in the financial statements, as well as explanations and illustrations of variances and trends. The Government is responsible for the integrity, objectivity, and fair presentation of the information in the FSD&A.

The Consolidated Fund (CF) is the level at which the annual estimates are prepared in detail for approval by the government. The purpose of the FSD&A is to provide additional analysis and key indicators of the CF's performance. The CF is comprised of all departments and public service units of the Bermuda Government.

The following tables and charts illustrate summary financial information for the fiscal year ended March 31, 2020.

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**Financial Statement Discussion and Analysis
for the fiscal year ended March 31, 2020**

Financial Highlights

The highlights section provides a summary of the key events affecting the financial statements based on information taken from the audited Financial Statements. The budget figures are from the book of *Approved Estimates of Revenue and Expenditure for the Year 2019/20*.

**Budget and Actual Results
2019/20**

(thousands of dollars) ¹

	2019-20		2018-19	Variance	
	Budget	Actual	Actual	2019-20 Actual to Budget	2019-20 v 2018-19 Actual
Revenue					
Payroll Tax	466,100	465,018	467,486	-1,082	-2,467
Customs Duty	235,000	221,897	226,055	-13,103	-4,157
Other taxes	208,679	191,759	178,005	-16,920	13,755
Other revenue (incl. fees, permits and licenses, investment income) ²	208,676	207,677	228,935	-999	-21,258
Total Revenue	1,118,455	1,086,351	1,100,480	-32,104	-14,129
Expense by Function					
Economic Development	275,112	557,298	343,024	282,186	214,275
Health	194,895	206,916	194,860	12,021	12,056
National Security	163,624	170,040	166,492	6,416	3,549
Education	138,024	140,345	139,087	2,321	1,258
Social Services & Assistance	82,420	86,542	88,850	4,122	-2,308
Other Government Services	75,786	72,820	71,334	-2,966	1,485
Total Program Expense	929,861	1,233,962	1,003,646	304,101	230,315
Interest on Debt	116,500	120,482	124,031	3,982	-3,549
Pensions and Retirement Benefits	0	78,071	78,447	78,071	-377
Early Tender Premium on Repurchased Debt	0	0	17,675	0	-17,675
Total Expense	1,046,361	1,432,514	1,223,800	386,153	208,715
Annual Surplus/ Deficit	72,094	-346,163	-123,320	-418,257	-222,843
Net Debt		4,230,365	3,900,865		329,499

¹ Totals may not add due to rounding

² Other revenues are identified in the Statement of Operations and Accumulated Deficit in the Financial Statements.

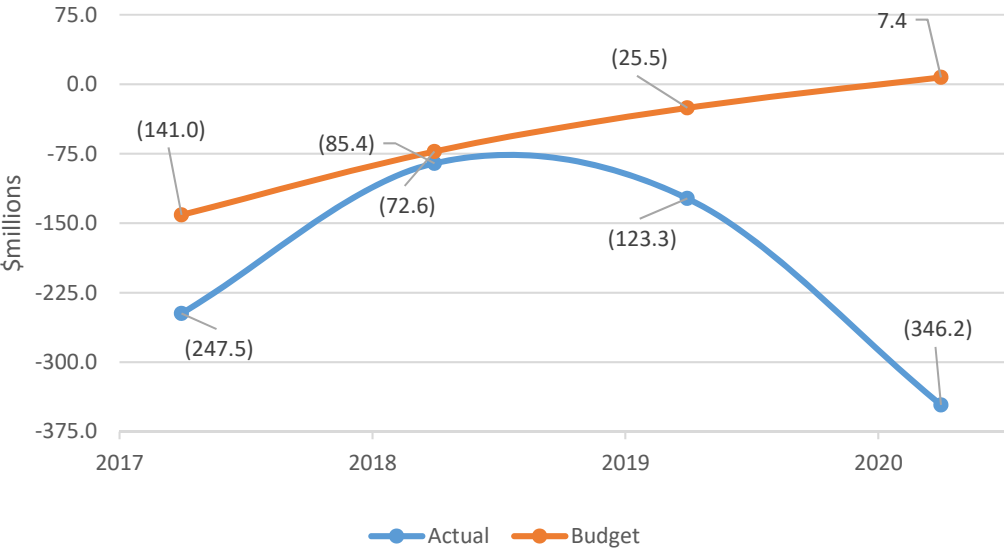
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(Deficit) Surplus

The (deficit) surplus is the net financial result of the year’s operations. For the fiscal year ended March 31, 2020, total revenue was \$1.09 billion (2019 – \$1.10 billion) and total expenses were \$1.43 billion (2019 – \$1.22 billion). The resulting deficit of \$346.1 million was \$418.3 million higher than the budgeted surplus of \$72.1 million and \$222.8 million higher than the prior year’s deficit of \$123.3 million.

The Consolidated Fund has reported the following net financial results over the past four years:

(Deficit) Surplus - 4 Year Trend



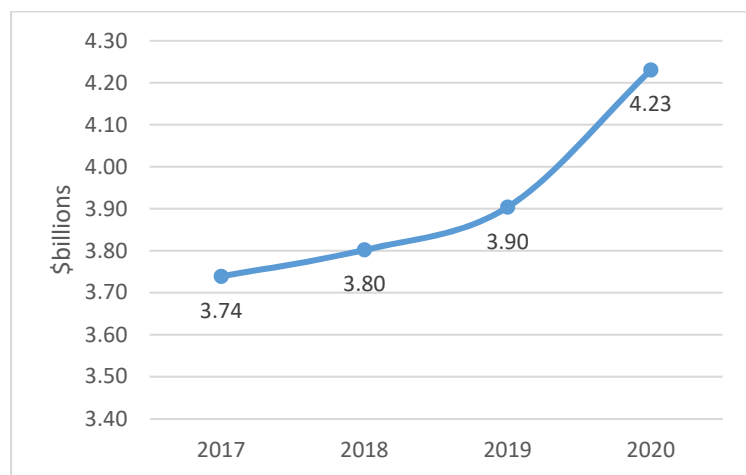
Net Debt

Net debt results when a government’s total liabilities exceed total financial assets. As a key measure of the Government’s financial position, net debt indicates the amount that current and past generations have accumulated through the incurrence of annual deficits and net investments in non-financial assets. Net debt represents the liabilities to be funded by future revenues. These amounts remain as obligations for future generations to fund through annual surpluses or to continue to carry as debt.

Government of Bermuda – Consolidated Fund Financial Highlights March 31, 2020

Net debt was \$4.2 billion at March 31, 2020, \$329.5 million higher than the prior year due to the \$346.1 million deficit, offset by \$16.7 million net acquisitions of tangible capital assets/assets under construction, net changes to inventories for consumption, and prepaid expenses. The Government has reported net debt in the past four years as follows:

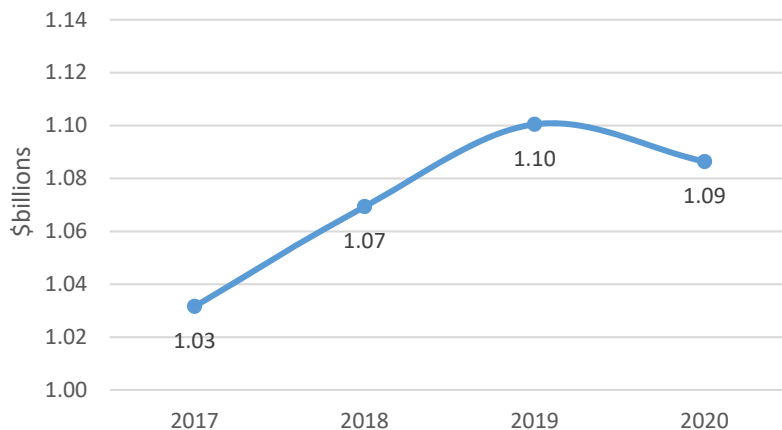
Net Debt - 4 Year Trend



Revenue

Total revenue for the year was \$32.1 million or 2.9 per cent lower than estimates and \$14.1 million or 1.3 per cent lower than the prior year. The decreases from estimates were attributable primarily to changes in customs duties and tax revenues. The Consolidated Fund earned other revenues from a variety of sources.

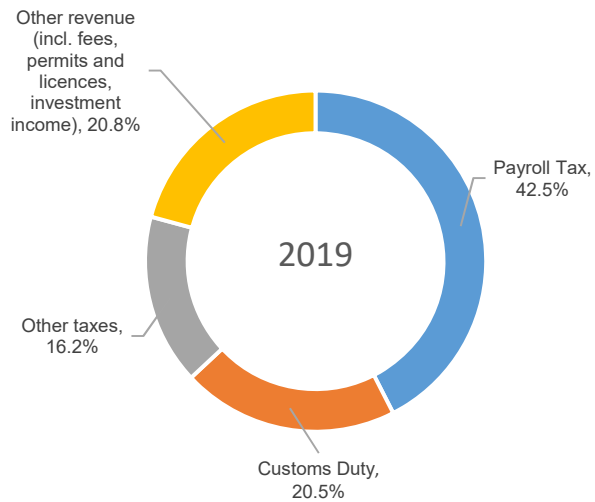
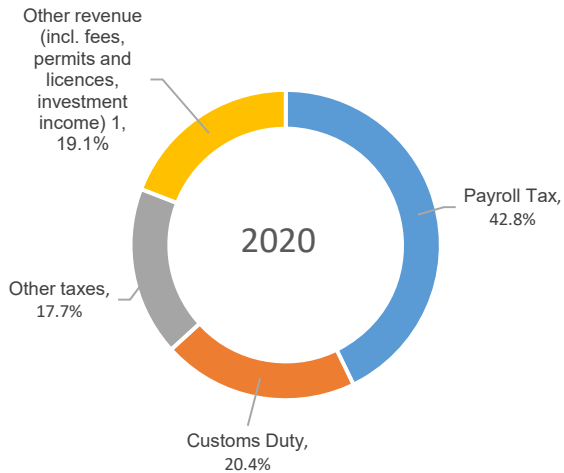
Total Revenue - 4 Year Trend



Government of Bermuda – Consolidated Fund Financial Highlights March 31, 2020

Revenue by Source

The Consolidated Fund's revenue by major funding sources remained consistent with the prior year. The related breakdowns for fiscal years 2020 and 2019 were as follows:

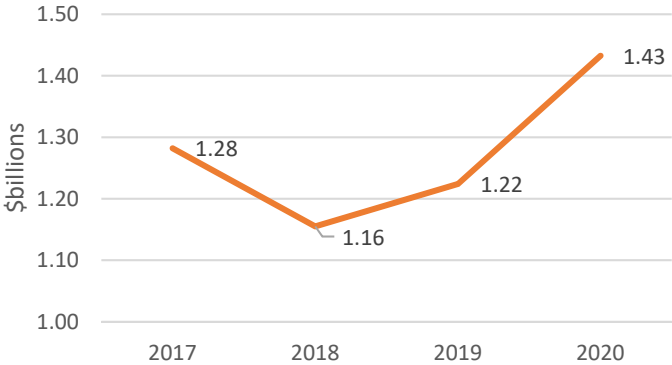


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Expenses

Total expenses were \$386.2 million or 36.9 per cent higher than estimates due to the economic development sector exceeding estimates by \$282.2 million, mainly relating to the valuation provision against the Caroline Bay project; and first time provisions for doubtful collection of amounts due to the CF by other government funds and agencies, partially offset by net decreases of \$3.0 million in all other departments.

Total Expenses - 4 Year Trend



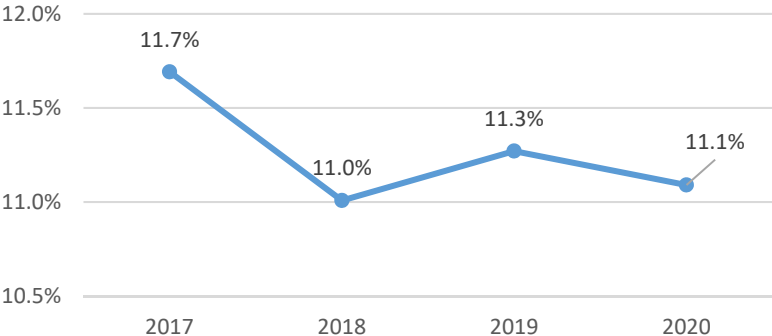
Debt Servicing Costs to Total Revenue

Debt servicing costs as a percentage of total revenue shows the proportion of every dollar of revenue that is needed to pay interest and thus is not available to provide program initiatives. A lower ratio means that the Government uses less revenues to meet the interest cost on total debt outstanding, which provides greater flexibility in

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meeting financial and service commitments in the current year. The ratio of debt servicing costs to total revenue improved by 0.2 percentage points from the previous year to 11.1 per cent. Over the past four years, this ratio decreased by 0.6 percentage points, ranging from a high of 11.7 per cent in 2017 to a low of 11.0 per cent in 2018.

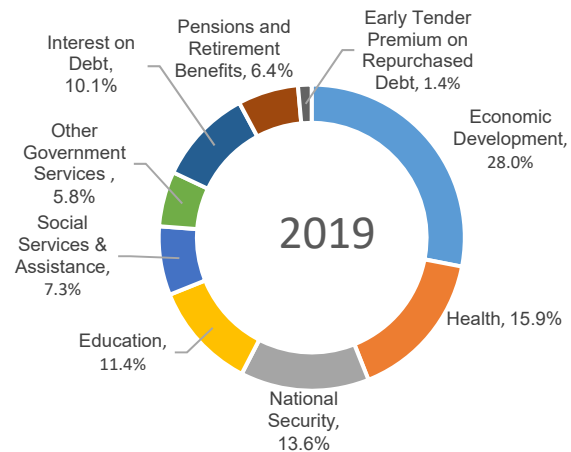
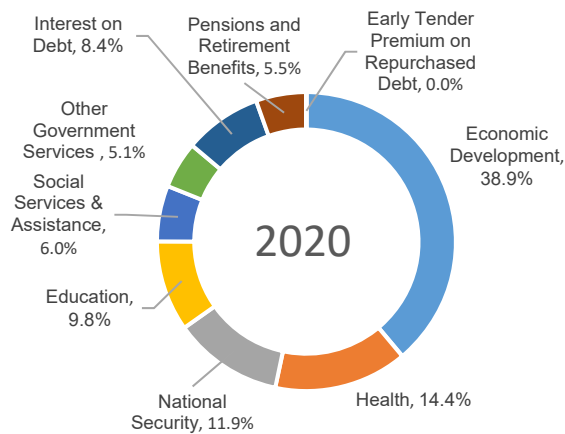
Debt Servicing Costs to Total Revenue - 4 Year Trend



Government of Bermuda – Consolidated Fund Financial Highlights March 31, 2020

Expenses by Program

Economic Development increased to 38.9 per cent of expenses by major function, up from 28.0 per cent in the prior year. The increase was due primarily to the Caroline Bay project and first-time provisions for doubtful collection of amounts due to the CF by other government funds and agencies. Health, national security, and education declined to 36.1 per cent of total expenses from 40.9 per cent in 2019. The related breakdowns for fiscal years 2020 and 2019 were as follows:



**Government of Bermuda – Consolidated Fund
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Summary Statement of Financial Position
(thousands of dollars) ¹

	at March 31			
	2020 Actual	2019 Actual	Change from 2019	
Financial Assets				
Cash	26,262	26,659	-397	-1.5%
Receivables and discount on debt	203,748	200,641	3,107	1.5%
Investment in Morgan's Point	1	0	1	100.0%
Investment in BLDC	5,000	5,000	0	0.0%
Net due from government funds and agencies	51,162	66,269	-15,107	-22.8%
	286,172	298,569	-12,397	-4.2%
Liabilities				
Debt	2,680,788	2,461,087	219,701	8.9%
Pensions and other employee future benefits	1,652,576	1,574,505	78,071	5.0%
Accounts payable and deferred liabilities	183,172	163,841	19,331	11.8%
	4,516,536	4,199,434	317,103	7.6%
Net Debt	4,230,365	3,900,865	329,499	8.4%
Capital / Other Non-financial Assets	690,068	706,731	-16,664	-2.4%
Accumulated Deficit	3,540,297	3,194,134	346,163	10.8%

¹ Totals may not add due to rounding

Financial Assets

Financial assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets decreased by \$12.4 million or 4.2 per cent from last year to \$286.2 million at the end of 2020. Cash decreased by \$397 thousand as a result of the operating, investing, capital, and financing activities shown in the Statement of Cash Flow. Receivables and discount on debt were \$3.1 million higher than the prior year.

The net amount due from government funds and agencies decreased by \$15.1 million or 22.8 per cent from last year. The decrease was due to a provision for doubtful accounts of \$22.9 million established in 2020, primarily relating to collection uncertainty of a receivable of \$41.5 million from the Government Employees Health Insurance Fund. This was offset by increases and decreases in amounts due from and to other government

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funds and agencies.

In September and October 2019, the Government purchased the Tranche B and C lenders' rights and interests in Morgan's Point Limited for a total of \$168.5 million. The Government also purchased an aggregate 1,500 Class B Non-Voting Participating Common Shares, \$0.01 par value of George's Bay Limited (GBL). In December 2019, the Government undertook to settle \$11.1 million outstanding contractors' balances owed by GBL for work performed, in addition to \$3.7 million in advisory and consulting costs. In March 2020, the Government successfully petitioned the courts to wind up GBL and appoint provisional liquidators to implement a corporate restructuring. The Government has a secured claim against the Caroline Bay project assets of GBL as recourse for the Tranche B debt and an unsecured claim relating to the Tranche C debts. There is a high level of uncertainty related to the assets of GBL and the cost which will be associated with recovering those assets. While not concluding a nil value to the assets, as there are number of tangible assets which have value, there is uncertainty relating to the expected return the Government may receive after GBL assets are written down or where costs have been incurred to facilitate a sale.

Due to accounting requirements regarding the valuation uncertainty, the Government has recorded a nominal value of \$1,000 on the Statement of Financial Position. This is not reflective of the eventual positive return that the Government expects it will obtain from the Caroline Bay project, but that expected return cannot currently be quantified.

Liabilities

Liabilities, consisting of debts or other monetary obligations owing at year-end and to be settled in the future, increased by \$317.1 million from last year to \$4.5 billion. The most significant liability, unmatured debt, increased by \$219.7 million from the prior year mainly due to the establishment of a \$200 million credit facility to facilitate the purchase of the George's Bay Limited lenders in fiscal 2019/20. By year-end, \$187.4 million was drawn on the facility. This was offset by debt repayments of \$180 million.

Pension and other employee future benefits increased by \$78.1 million due

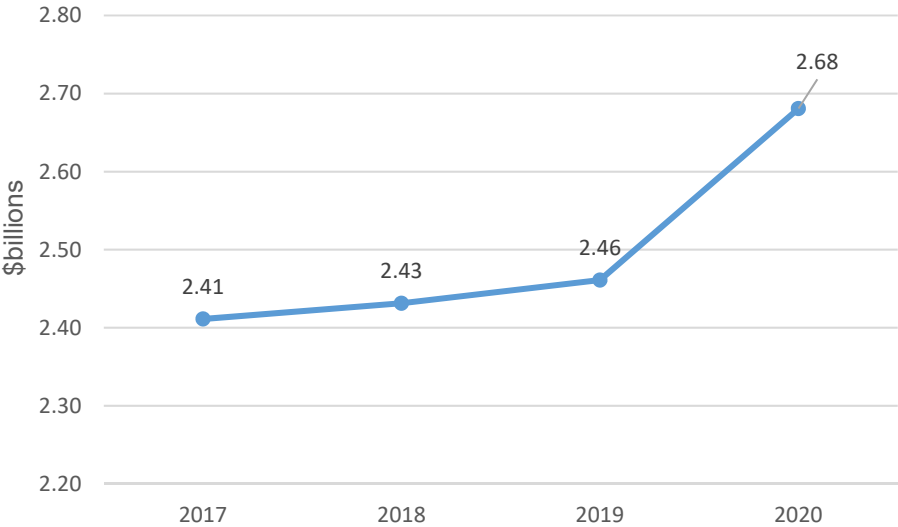
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to current year Pensions and Retirement Benefits Expense. Other changes to liabilities included an increase of \$19.3 million in Accounts payable and deferred liabilities attributable to a \$17.6 million rise in deferred liabilities due primarily to an agreement entered into with a cruise line. The transaction established that the cruise line provided the Government with \$15 million in exchange for primary birthing rites for its ships. Under the agreement, use of the \$15 million was restricted to the purchase of two tugboats, so not available for general expenditure, and it is recorded as a deferred amount in the financial statements.

Debt - 4 Year Trend

Over the past four years, unmatured debt has increased \$269.6 million from \$2.41 billion in 2017 to \$2.68 billion in 2020.

After year-end, in August 2020, the Government raised \$1.3 billion through the issuance of \$675 million 2.375% 2030 and \$675 million 3.375% 2050 notes. With the proceeds, \$405 million short term facilities were paid off. In addition, principal payments totaling \$500 million were made on outstanding senior notes. The remainder will be used as excess borrowing for future years (approximately \$300 million) and to cover the budget deficit for the remainder of the 2020/21 fiscal year (approximately \$100 million).



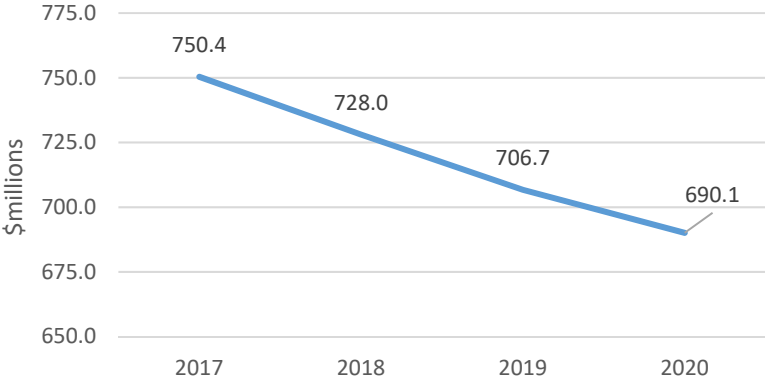
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Non-Financial Assets

Non-financial assets are a significant component of the CF’s financial position and are assets to be used for the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include inventories for consumption and prepaid expenses.

Total non-financial assets decreased by \$16.7 million to \$690.1 million at the end of the fiscal year. Over the past four years, total non-financial assets decreased from \$750.4 million at the end of 2017 to \$690.1 million at the end of 2020, largely due to annual amortization of tangible capital assets exceeding the purchase and construction of new capital assets.

Non-Financial Assets - 4 Year Trend



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Tangible Capital Assets

The net book value (acquisition cost less accumulated amortization) of tangible capital assets (TCA) makes up a substantial asset of the CF, totaling \$633.1 million at the end of 2020, a decrease of \$35.7 million from the end of the previous fiscal year. Net TCA 2020 additions of \$14.9 million were offset by net \$50.5 million of annual amortization. This has been the trend since 2018.

The table and chart below summarize the CF's TCA portfolio by major asset class and show the differences in each class compared to the prior year.

Tangible Capital Assets (Net Book Value)

(thousands of dollars)

	2020	2019	Change from 2019	
Land, Buildings & Betterments	408,521	424,253	-15,732	-3.7%
Infrastructure	149,868	159,716	-9,848	-6.2%
Plant, Machinery, Vehicles & Vessels	51,005	58,717	-7,712	-13.1%
Computers, Furniture & Equipment	23,670	26,061	-2,391	-9.2%
	633,064	668,747	-35,683	-5.3%

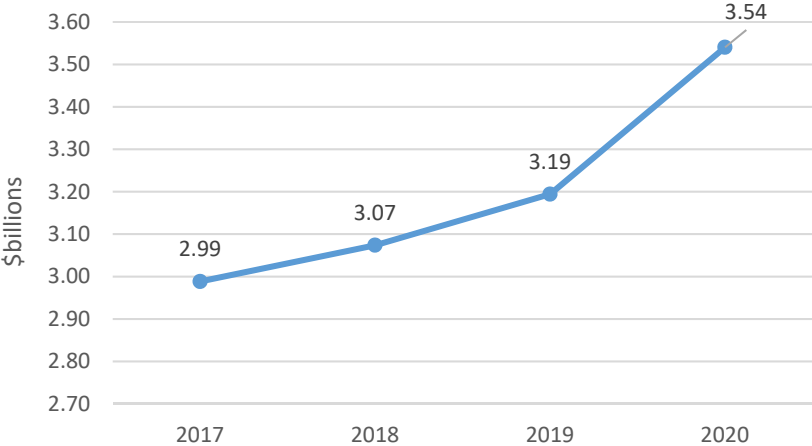
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Accumulated Deficits

Accumulated deficits represent the difference between the CF’s liabilities and both financial and non-financial assets. Further, they are the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. Accumulated deficits are a secondary measure of the Government’s financial position.

The accumulated deficits were \$3.54 billion at March 31, 2020, \$346.1 million higher than a year ago as a result of the annual deficit. The CF has reported accumulated deficits in the past four years as follows:

Accumulated Deficits - 4 Year Trend



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Cash Flows

The CF's financial statements are reported on the accrual basis, whereby the timing of transactions may vary from when actual cash is paid or received. The Statement of Cash Flow summarizes the increases and decreases in the CF's cash flows in terms of the sources and uses of cash identified within the following activities: operating, capital, and financing.

During 2020, the CF's cash position decreased by \$35.1 million. Cash outflows were used to repay debt obligations of \$180.0 million, purchase \$35.2 million in TCA and assets under construction, and to fund \$184.9 million in operating activities. Cash inflows of \$187.4 million were generated from the opening of a new credit facility and \$177.6 million from net sinking fund withdrawals.

Cash Flows by Activity

(thousands of dollars)

	2020	2019	Change from 2019
Operating	-184,854	-10,863	-173,991
Capital	-35,244	-25,004	-10,240
Financing	184,943	42,330	142,613
	-35,155	6,463	-41,618

Modified Cash Basis of Reporting

The Ministry of Finance prepares annual Budget Estimates on the modified cash basis. The financial statements of the Consolidated Fund are prepared on an accrual basis. Due to the difference in accounting, Schedule 12 of the financial statements restate actual expenses on the modified cash basis for comparative and analytical purposes against the Adjusted Budget Estimates.

The total revenue raised by the Consolidated Fund (CF) for fiscal 2019/20, on a modified cash basis was \$1.086 billion, the same amount recorded in the financial statements.

Total current expenditure on a modified cash basis was \$1.052 billion (2018/19 – \$1.109 billion), which was \$5.4 million more than adjusted budget estimates (2018/19 – \$7.9M less). This overage was primarily due to the following:

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- A strategic decision to provide financial support of \$3.0 million to secure winter air service from New York and Boston;
- Subsidy funding of \$7.8 million for the Bermuda Hospital Board as part of the block grant provided to the hospital in relation to the healthcare reform;
- Above budget spends in the Ministries of Public Works and National Security;
- Unbudgeted COVID-19 expenditures; and
- Interest and facility fee costs of \$3.9 million in relation to the borrowing incurred to make good on the Caroline Bay guarantees;

These amounts were offset with savings in materials and supplies, repairs and maintenance, energy, transport and other expenditure line items.

Total capital account cash expenditure was \$67.1 million, which was \$2.4 million higher than the original budget estimates. This increase was due to a delay in the receipt of new buses and additional grant funding provided to the National Sports Centre to resurface the track in anticipation of the CARIFTA games being held in Bermuda in April 2020.

Total capital and current account cash expenditure for 2019/20 was \$1.119 billion, which was \$7.8 million or 0.7% higher than the original budget estimate of \$1.111 billion.

The all-inclusive result from government operations (both current and capital) on an accounting accrual basis for the year ending March 31, 2020, was a deficit of \$346.1 million, \$222.8 million higher than the prior year's deficit of \$123.3 million. As mentioned previously this increase was due to extraordinary items relating to valuing the Caroline Bay project and first time provisions for doubtful collections of amounts owed to the CF by other public sector funds or organizations.

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There are many non-appropriated expenses included in this figure. If we strip those away, and the non-recurring items related to the Caroline Bay project, the modified cash all-inclusive results from government operations (on the same basis that is shown in the Budget Book) was a deficit of \$32.5 million. This compares to a surplus of \$7.4 million that was originally budgeted. Therefore, the actual overall deficit was up by \$40.7 million when compared to the original estimate. The increased deficit is primarily a result of lower than budgeted revenues.. During this fiscal year the Government has continued to prudently manage discretionary current and capital expenditures.

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Economic Highlights

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Bermuda Economy Overview

The economy of Bermuda is based primarily on international business and the high-end segment of the tourism sector. Bermuda is regarded as a leading international financial center because of the following factors:

- a long-established and highly developed commercial and social infrastructure;
- geographic proximity to the United States and Canada and ease of access to and from major European cities and the United Kingdom;
- recognized by the Organization for Economic Cooperation and Development (the “OECD”), the International Monetary Fund (the “IMF”) and other multilateral organizations as having internationally acknowledged transparency standards;
- transparent and consistent application of financial services policy towards the financial services sector;
- close international relations in the financial sector, including bilateral relations with the G7 and G20 economies as well as other markets that are of significant economic importance to Bermuda;
- well-established reputation as a domicile of choice for insurance and reinsurance;
- the BSX is one of the world’s largest offshore, fully electronic securities markets recognized by the SEC as a “Designated Offshore Securities Market”;
- modern business infrastructure and facilities;
- high standards of living;
- well-educated population and world-class labor force;
- absence of direct taxation and exchange controls for international business; and
- stable regulatory framework.

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The largest concentrations of international companies doing business in Bermuda are involved in the insurance and financial services sectors. The international business activity and tourism sectors of the economy together accounted for approximately \$2.7 billion (excluding financial services) in foreign currency receipts and 29.1% of real GDP in 2018.

GDP results for 2019 shows GDP at constant prices of \$6.46 billion, which represented a 0.5% increase in constant prices, after adjusting for inflation, registering positive results during the year relative to 2018. The main driver of the growth was a rise in the surplus on the external balance of goods and services. During the 2019 period, GDP at current prices increased by 3.6%.

Real GDP increased by 0.1% in 2018 compared to 2017. Nominal GDP was \$7.3 billion for 2018, representing an increase of 1.7%, or \$121 million, compared to nominal GDP for 2017 of approximately \$7.1 billion. The 2018 figures reflected an increase of 5.3%, or \$364 million, from GDP of \$6.9 billion in 2016. GDP growth in 2018 was driven primarily by growth in the financial and insurance segment and the construction segment, which increased by 5.2%, or \$55.4 million, and 14.2%, or \$34.5 million, respectively, in each case as compared to 2017.

Bermuda's net surplus on merchandise trade, services and income for 2019 was \$763 million, as compared to \$894 million for 2018, a decrease of 14.7% compared to 2018. The net surplus on merchandise trade, services and income increased 2.5% in 2018, compared to 2017.

The Bermuda Consumer Price Index ("CPI") increased by 1.0% in 2019, compared to 1.4% in 2018 and to 1.9% in 2017.

The Government of Bermuda has historically maintained a conservative fiscal policy. The current administration considers the rise in debt as unsustainable and recognizes that it will take time to bring the fiscal position in line with achieving a net debt to revenue ratio that would not exceed 80% and a debt service cost to revenue ratio that would be below 10%. As it works towards these goals, the Government is also focused on targeted investment in growth, while maintaining fiscal discipline to reduce the debt to more manageable levels.

When the current Government took office in July 2017, public debt stood at \$2,397 million and the debt ceiling at \$2.5 billion. The Government came in with a focus on prudently managing the country's finances on behalf of the people of Bermuda and committed to a strategy of not increasing the debt ceiling. The Government was successful in honoring that commitment in the 2017/18 and 2018/19 fiscal years and was on track to do so again in the 2019/2020 fiscal year. However, in July 2019, in anticipation

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of borrowings to fund the purchase of indebtedness related to the guarantees associated with the stalled Caroline Bay project, the debt ceiling was increased by \$250 million to \$2.75 billion also, in order to meet urgent COVID-19 related matters a credit facility was put in place and this resulted in debt, net of the Sinking Fund, totalling \$2.68 billion as at year-end.

The Government expects the employment rate to improve by focusing on policy measures and investments designed to create a more diversified economy, which are expected to generate stronger economic growth. A stronger and more diversified economy is expected to increase employment by creating job opportunities in new and emerging economic sectors that will drive stronger economic growth in the future. The Government expects this will be supported by various other employment initiatives, including immigration reform, improved work permit processes and numerous hotel and airport redevelopment projects.

Multi-Pronged Strategy for Strengthening the Economy

The Government's economic plan was set forth in their 2017 election platform. The Government's plan envisioned a multi-pronged strategy to expand the economy by focusing on policies designed to create employment opportunities for Bermudians and promote entrepreneurship.

Since 2017, the Government has been implementing initiatives to (i) stimulate domestic and foreign expenditure through further economic liberalization, targeted investment strategies and diversification of business development initiatives, (ii) continue supporting successful industries, while adhering to fiscally responsible policies through a balanced, long-term growth agenda, and (iii) promote economic equality through socially targeted investment strategies. Additionally, the Government is focused on building on these initiatives by (i) expanding financial services and tourism, (ii) diversifying the economy, (iii) reducing the cost of doing business, (iv) making government more efficient, and (v) stimulating investment and competition.

In 2019, the Government updated its economic plan in its Budget Statement. The areas of focus included (i) expanding financial services and tourism, (ii) diversifying the Bermuda economy in an effort to attract companies in growing industries, (iii) implementing measures to reduce the cost of living and doing business in Bermuda, (iv) making the Government more efficient, and (v) reducing regulations and bureaucracy to stimulate investment while promoting competition in the Bermuda economy.

In the 2020/21 fiscal year, the Government will establish the Economic Development Department (the "EDD"). The Cabinet has approved the creation of the EDD. As the Government puts the structure into place, it will re-deploy staff from the

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Business Development Unit, the Fintech Unit and the Department of Information and Communication Technology to the EDD and create a strategy for the economic development and diversification of Bermuda. The primary aim of the EDD is to advance the sustainable economic growth, development and diversity of the Bermuda economy.

Additionally, the following measures will be taken to promote the development of Bermuda's economy:

- amendments to the trusts legislation have been passed recently which will dramatically increase Bermuda's marketability by modernizing our trust laws;
- led by the Bermuda Business Development Agency (the "BDA"), marketing efforts, policy and legislative changes are being advanced as part of a targeted Asia and Hong Kong strategy;
- the Cabinet Office, in conjunction with the Ministry of Finance, BDA and BMA, is crafting standalone family office legislation to differentiate Bermuda's offering in this competitive global space;
- to support the Ministry of Finance and the Registrar of Companies, the BDA is setting out a clear strategy centered around marketing Bermuda's economic substance regime, which will result in certain changes for companies and ultimately benefit Bermuda in the form of more jobs;
- as our FinTech strategy continues to yield new company formations with more companies applying to be licensed under Bermuda's framework, the BDA in conjunction with the BMA will be advancing changes to the digital asset framework for the Legislature to consider in September 2021;
- the Regulatory Authority is advancing the necessary fee structure that will allow Bermuda to bring into force legislation to promote subsea cables; and
- the BDA is finalizing guidelines for approved residential schemes in certain economic empowerment zones to attract Bermuda based investment, which are creating construction jobs while maintaining the rich cultural history of these economic empowerment zones.

Expanding Financial Services and Tourism

The Government's economic plan is rooted in growing the twin pillars that have served the Bermuda economy well, financial services and tourism. Our investments and combined efforts to grow these pillars have been successful as in 2018, we saw an increase

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in incorporations and job growth in both international business and hospitality. While our property, casualty and captive insurance sectors remain stable, we have witnessed significant growth in the long-term insurance sector. We continue to make strides in attracting more asset managers to our shores by addressing concerns with Bermuda’s economic substance regime, and we expect to leverage our proximity to the financial centers on the eastern seaboard of the United States to attract more asset managers to Bermuda.

In tourism, we continue to invest more in marketing and product development, while recognizing that we must make tourism investment in Bermuda more attractive. The Government is working with unions and hoteliers to increase efficiency and boost productivity in Bermuda’s hospitality industry.

In order to further support the tourism segment and make Bermuda a more attractive travel destination, the Government is in the process of introducing the legalization of casino gaming. By creating a casino industry in Bermuda, the Government seeks to enhance the available tourism products, increase investment in Bermuda and create employment opportunities.

In 2019, the Casino Gaming Amendment Regulations 2019 were published. These regulations covered a wide range of topics which will govern the oversight of the regulatory process for gaming operations. As we work to rebuild our economy in the context of COVID-19, a well-regulated local gaming industry will be one more avenue to assist in creating jobs, spurring economic activity and providing resources to support vital community activities.

Diversifying the Economy

The Government, in conjunction with the BDA, has developed a multi-faceted approach to creating new areas of economic activity. Over the past year, progress has been made in establishing Bermuda as a domicile for technology companies in the emerging areas of Financial Technology (“FinTech”), Regulatory Technology (“RegTech”) and Insurance Technology (“InsurTech”). We believe the size of our relevant financial sectors and high regulatory standards make us an attractive jurisdiction for technology companies to develop and test their products in our market before exporting those products to the rest of the world.

In addition to looking to attract technology companies to Bermuda, our economic development and diversification strategy has been specifically focused on aviation and shipping, arbitration, biotech and life sciences, intellectual property, satellite and space and nearshoring. Additionally, the Cabinet Office in conjunction with the Ministry of Finance, BDA and BMA is crafting standalone family office legislation to differentiate

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Bermuda’s offering in this competitive global space. Marketing efforts, policy and legislative changes are also being advanced as part of a targeted Asia and Hong Kong strategy.

Reduce the Cost of Doing Business

The cost of energy, health insurance, and interest rates directly impact our ability to grow Bermuda’s economy. We are committed to providing relief to Bermudians struggling with high interest rates and high health insurance costs. After extensive discussions, we plan to announce reform aimed at reducing the cost of health insurance to provide better coverage for all Bermudians.

Additionally, in 2019, the Regulatory Authority of Bermuda (the “Regulatory Authority”) completed the Integrated Resource Plan which is Bermuda’s national plan for its future electricity needs. We believe the production of this plan is an important step to reducing the cost of electricity.

Making Government More Efficient

While we reduce the cost of doing business in Bermuda, we also understand the importance of making government more efficient so that we are able to provide services to residents in a cost effective manner. To that end, a Government Efficiency Committee was established in March 2018, chaired by the former Junior Minister of Finance. The Committee has worked with Government Departments to streamline and automate processes, raise additional revenue and identify areas for additional savings. The recommendations contained in the Efficiency Committee’s final report were referred to the various government Ministries and Departments for further review and implementation. Additionally, some of the recommendations were incorporated into the deliverables under the Government Reform initiative. The top level of the public service has been reorganized to create a dedicated implementation team that will focus on the execution of the public service reform plan.

Stimulating Investment and Competition

The final pillar of the Government’s economic plan is to take the necessary transformational measures to stimulate investment and job creation in Bermuda. In its 2018/2019 Budget Statement, the Government announced changes allowing international law firms to domicile in Bermuda. The presence of international law firms will generally benefit the economy and employment prospects of Bermudians as well as enhance the national brand. In the 2020/21 Budget, in an effort to further stimulate foreign direct investment, it was announced that the Government will introduce a bill that will reduce the required ownership of a local company from 60% Bermudian-owned

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to 40% Bermudian-owned, while maintaining the requirement for the board of directors of such company to be at least 60% Bermudian.

Furthermore, the Government plans to relax height and ownership restrictions for developments in the Northeast Hamilton empowerment zone, which will create an additional supply of condominiums. To meet the increased supply, the Government plans to relax ownership restrictions for these special developments. The narrow relaxation of these restrictions is expected to put more Bermudians to work in construction projects throughout Northeast Hamilton and will create fixed assets that provide ongoing maintenance jobs. More residents in Northeast Hamilton will provide more customers to local business which will lead to an increase in economic activity in the empowerment zone. These new developments will also be key to attracting young Bermudians back to Bermuda as the units will be ideal for singles or couples without children.

Additionally, the Government, in conjunction with the Bermuda First think tank (“Bermuda First”), which is an advisory group consisting of local and international business and community leaders, is committed to building a better Bermuda and ensuring its citizens have the tools and opportunity to participate more equitably in the economy. On August 23, 2019, Bermuda First submitted its Future State Report which identified three critical areas of focus for analysis and reform, healthcare, education and immigration. In addition to these three ‘critical foundational elements’ of focus, Bermuda First made recommendations on how to ensure that Bermuda becomes a leading jurisdiction for technology companies. Some of Bermuda First’s recommendations are being advanced and implemented by the Government through its various departments.

Recent Developments

Economy

In July 2020, the Ministry of Finance reported preliminary fiscal performance for the three months ended June 30, 2020. Total revenues were \$221.6 million, a \$41.6 million, or 15.8%, decrease compared to the period ended June 30, 2019. This decrease resulted primarily from the impact of COVID-19 on the collections in passenger taxes, customs duty and other receipts. Total revenues for the three months ended June 30, 2020 were approximately 18% below initial budget estimates.

Current account expenditures (excluding debt service and COVID-19 related expenses) for the three months ended June 30, 2020 were \$225.3 million, a \$10.6 million, or 4.5%, decrease compared to the three months ended June 30, 2019. During this period, the Government spent \$56.0 million in COVID-19 related expenditures (including \$43.6 million in temporary unemployment benefits), increasing total current account

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expenditure to \$281.3 million, a \$45.3 million, or 19.2%, increase compared to the three month period ended June 30, 2019. Total current expenditures, excluding debt service, for the three months ended June 30, 2020 are higher than the 2020/2021 fiscal year budget estimate of \$234 million.

Capital account expenditures for the three months ended June 30, 2020 were \$11.4 million, a 33.0% or \$5.6 million decrease compared to the three months ended June 30, 2019. This increase was mainly due to the Government delaying the start of capital projects in the context of the COVID-19 pandemic.

Debt service costs for the three months ended June 30, 2020 were \$30.4 million, an increase of \$1.2 million compared to the three months ended June 30, 2019. Additionally, the principal amount of debt outstanding as of June 30, 2020 was approximately \$2,810 million. As of that same date, the aggregate principal amount of debt outstanding, net of the Sinking Fund, was approximately \$2,768 million.

COVID-19

Since December 2019, infections attributable to COVID-19 have been reported around the world. On March 11, 2020, the World Health Organization (the “WHO”) characterized the COVID-19 outbreak as a pandemic. Measures to mitigate the spread and intensity of the outbreak have been undertaken by governments around the world, including mandatory quarantines, travel restrictions, social distancing and curtailment or suspension of economic and other forms of activity.

The COVID-19 pandemic has had an adverse impact on the Bermuda economy, in particular the tourism industry. Through June 2020, as a result of approximately 520,000 lost air and cruise visitor arrivals combined, we estimate a loss of \$245.7 million in direct spending, or \$337.7 million with taxes and fees included. Bermuda has always been a coveted destination for cruise lines, however, we have seen more than 80% of our cruise calls cancelled for 2020. We believe the cruise cancellations equate to an estimated 423,317 passengers and an estimated \$95.2 million in direct visitor spending lost.

As of August 1, 2020, Bermuda had experienced 156 confirmed cases of COVID-19 infections, of which nine were fatal. The Government adopted several measures in response to the COVID-19 outbreak aimed at preventing mass contagion and overcrowding of Bermudian health service facilities, which included placing severe restrictions on business and economic activity, and movement of people.

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On March 16, 2020, the Ministry of Finance advised the House of Assembly that, as part of its COVID-19 Fiscal Plan, it would obtain emergency financing to supplement reduced revenues and additional COVID-19-related expenditures, provide additional funding to assist Bermuda's unemployed population as a result of the economic impact of the COVID-19 pandemic and curtail lower-priority expenditures to ensure that spending needed for COVID-19 matters can be maintained. These economic measures include:

- To support reduced revenues and additional COVID-19-related expenditures, the debt ceiling was raised by \$150 million to \$2.9 billion. Subsequently, the Ministry of Finance executed a \$20 million credit facility with a local financial institution and another \$150 million credit facility with two local financial institutions.
- On August 5, 2020, the debt ceiling was raised to \$3.5 billion from \$2.9 billion. As of July 2020, net debt stood at \$2.768 billion, leaving the Government with approximately \$731.4 million of borrowing capacity.
- The Government has been delaying the start of any capital projects that have not commenced (resulting in potential savings between \$20 million and \$24 million), freezing the funding of vacant Government posts that are not required to address COVID-19-related matters or to protect Bermuda's national interests (resulting in potential savings between \$20 million and \$25 million), banning non-essential government travel (resulting in potential savings between \$1 million and \$2 million) and reducing all discretionary spending, including training, materials and supplies, clothing and uniforms (resulting in potential savings between \$5 million and \$7 million).
- In the 2019/20 fiscal year Emergency funding was \$2.3 million, which was provided to the Ministry of Health to fund, among other things, personal protective equipment, testing kits and testing equipment.
- Additional funding was provided to the Ministry of National Security in the amount of \$420,000, to fund costs associated with the mobilization of the regiment (including reserves) to provide manpower to support the relief and recovery efforts, and to provide quarantine facilities.
- Funding was provided to the Ministry of Public Works, the Ministry of Legal Affairs and the Department of Information and Digital Technology in the amount of \$175,000 to support other COVID-19-related expenses.

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- As part of the 2020/2021 fiscal year, additional COVID-19-related funding in the amount of approximately \$14.7 million will be provided to the aforementioned Ministries.
- The Government created a temporary unemployment benefit to assist people who had been unemployed as a result of the COVID-19 pandemic. First payments were paid the last week of March 2020, and through June 2020, approximately 10,100 individuals had been paid a total of approximately \$43.6 million.
- The Government has allowed retailers and other commercial importers to apply for duty deferment for up to six months on imported business goods subject to a minimal surcharge and suspended on a voluntary basis contributions to private pensions programs and social insurance programs until June 30, 2021. As of June 2020, total contributions to the private pension programs and social insurance programs were approximately \$250 million and \$113 million, respectively.
- The Government has also passed legislation amending the National Pension Scheme (Occupational Pensions) Act 1998 to permit a person under the age of 65 who participates in a private, defined contribution pension plan or local retirement product to voluntarily withdraw up to \$12,000, from the period that the Act was brought into force until June 30, 2021.
- The Government set payroll taxes at zero until June 30, 2020 for the restaurant and bar sectors. This concession was extended to the quarter ending September 30, 2020. The Government expects the fiscal implications of these actions to result in a reduction of Government revenue of approximately \$1.5 million to \$2 million during such period.
- With respect to direct financial support to small- and medium-sized enterprises (“SMEs”), the Government, together with the Bermuda Economic Development Corporation (the “BEDC”) developed the Business Sustainability & Continuity Funding Programme (the “Programme”) as a tool created in response to the impact of the COVID-19 pandemic on Bermuda’s SMEs.
 - The Programme will be in place until the end of 2020 (or until the funds are fully deployed) and is expected to total \$24 million, \$12 million of which will be funded by a grant from the Government and \$12 million by the BEDC.

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- The Programme consists of financing products for business to take advantage of such as (i) BEDC direct micro loans inclusive of relief micro grants; (ii) BEDC guarantees for overdrafts from Banks; and (iii) BEDC guarantees for loans from external entities (such as banks, credit unions, private companies and individuals).

The aforementioned measures will adversely impact the Government's 2020/2021 budget. As of July 2020, the combination of lower fiscal revenues and higher public spending is expected to result in a further increase of the projected budget deficit of \$19.8 million. Furthermore, the Ministry of Finance estimates that revenue for the 2020/2021 fiscal year could contract by \$200 million to \$225 million. After factoring in the impact of lost revenue and additional expenses relating to the COVID-19 pandemic and the Government's responses thereto, the revised deficit for the 2020/2021 fiscal year was estimated to be in the range of \$275 million to \$315 million, assuming no cost-saving measures are taken to reduce spending. However, giving effect to cost-saving measures implemented by the Government, the Ministry of Finance is targeting a deficit level for the 2020/2021 fiscal year between \$200 million and \$225 million. However, such estimates regarding anticipated cost savings and target deficit levels are based on current projections and assumptions derived from information available to the Government at this time and, accordingly, are subject to change. There can be no assurance as to how much, if any, of such anticipated cost savings from the measures described above will be realized, or as to the deficit level that the Government will achieve.

As of October 2020, it is estimated that unbudgeted COVID-19-related expenditures for the 2020/2021 fiscal year will be \$125 million, consisting of (i) \$22 million estimated for the Ministries of Health, National Security, Legal Affairs, Public Works and the Cabinet Office Departments, (ii) \$63 million estimated for expenditure on unemployment benefits, (iii) a \$12 million grant to the BEDC, (iv) \$21 million estimated for call on airport minimum revenue guarantee and (v) \$7 million for public authorities assistance.

In light of the COVID-19 pandemic, real GDP is currently preliminarily projected to decrease by 7.5% to 12.5% for the 2020 calendar year. The COVID-19-related GDP revision is mainly due to forecasted (i) global growth contraction, (ii) slightly negative impacts on international business, (iii) negative impacts on tourism, (iv) negative impacts on financial market conditions, and (v) impacts of social distancing policies. If the COVID-19 pandemic continues as expected, the GDP forecast may be further decreased.

The Minister of Finance has established a COVID-19 Economic Advisory Committee. The role of the Committee is to provide insight and expert advice on how to protect jobs and stimulate economic activity during the economic crisis stemming from

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the COVID-19 pandemic. The objective of the Committee is to assess and recommend prioritized impactful strategies for short, medium and long-term economic recovery from the crisis.

The consequences of the COVID-19 pandemic could affect other aspects of our economy and financial system in 2020 and beyond, including, among others, our public debt, interest rates and inflation.

A Regulated Cannabis Scheme for Bermuda

In order to provide further diversification and growth to the Bermuda economy, the Government is in the process of providing a regulatory and licensing regime to establish a cannabis scheme in Bermuda. This is designed to meet the Government's stated policy initiative to progressively liberalize cannabis laws, apace with law reforms in other jurisdictions. There has been consistent public support and advocacy for full legalization of cannabis. The proposed policy sets out the framework of what a regulated cannabis scheme might look like for Bermuda. It has been principally influenced by existing regulated cannabis laws in other favorable jurisdictions such as Canada.

In light of the above, a public consultation exercise on the Government's proposals for a "Regulated Cannabis Regime" ran between June 3, 2020 and July 3, 2020. The public were asked to share comments and feedback on an illustrative draft bill and a policy document which were posted online.

The Government is currently considering the comments, suggestions and feedback received from the public consultation process to determine if any policy changes are required to the proposal. In line with Bermuda's high regulatory standards, critical risks are being considered and will be appropriately addressed in the final policy to ensure that an appropriate regulatory framework is put in place.

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Summary Historical Economic Data

	2016	2017	2018	2019	2020 ⁽³⁾
	(dollar amounts in millions except ratios and percentages)				
Bermuda's economic data					
Real GDP ⁽¹⁾	6,233.5	6,458.6	6,465.4	6,575.3 ⁽¹²⁾	6,016.4
Real GDP growth (%) ^{(1) (2)}	(0.7)%	3.6%	0.1%	1.7% ⁽⁴⁾	(8.5)%
Nominal GDP ⁽¹⁾	6,899.9	7,142.3	7,263.5	7,474.1 ⁽¹²⁾	6,913.5
Nominal GDP growth (%) ^{(1) (2)}	3.7%	3.5%	1.7%	2.9% ⁽¹²⁾	(7.5)%
Population ⁽¹⁾	63,791	63,892	63,973	64,027	64,054
Population growth (%) ^{(1) (2)}	3.3%	0.2%	0.1%	0.1%	0.0%
Per capita nominal GDP ⁽¹⁾	108,164	111,787	113,540	114,914 ⁽⁴⁾	107,826
Inflation ⁽¹⁾	1.5%	1.9%	1.4%	1.0%	0.8%
Unemployment ⁽¹⁾	6.0%	6.0%	4.5%	3.8%	N/A

Source: Department of Statistics, Bermuda.

- (1) As of or for the year ended December 31 of the year indicated, using population figures based on mid-year population projections produced by the Department of Statistics.
- (2) Growth percentages based on year-over-year comparisons.
- (3) 2019/2020 fiscal year figures are estimated for recently completed fiscal year as finalized data is not yet published or publicly available.
- (4) 2018/2019 GDP related figures are estimated as finalized data is not yet published or publicly available.

Credit Ratings

Bermuda currently holds long-term foreign currency credit ratings of “A+” (stable outlook) from S&P Global Ratings (“S&P”) and “A2” (stable outlook) from Moody’s Investors Services Inc. (“Moody’s”). Ratings address the creditworthiness of Bermuda and the likelihood of timely payment of Bermuda’s long-term debt securities. Ratings are not a recommendation to purchase, hold or sell securities and may be changed, suspended or withdrawn at any time. Bermuda’s current ratings and the rating outlooks currently assigned to it depend, in part, on economic conditions and other factors that affect credit risk and are outside the control of Bermuda.

GDP

Real GDP increased by an estimated 1.7% in 2019 compared to 2018. Nominal GDP was \$7.3 billion for 2018, representing an increase of 1.7%, or \$121 million, compared to

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nominal GDP for 2017 of approximately \$7.1 billion. This reflected an increase of 5.3%, or \$364 million from GDP of \$6.9 billion in 2016. In 2018, growth was driven largely by the financial and insurance segment and the construction segment, which increased by 5.2%, or \$55.4 million, and 14.2%, or \$34.5 million, respectively, in each case as compared to 2017.

In July 2015, the Department of Statistics began publishing quarterly GDP data. The publication uses the expenditure approach to measure GDP on a more frequent basis than the annual official measure of GDP, which highlights economic activity by references to various sectors during each period. The two GDP measures are reconciled in September of each year, when the Department of Statistics publishes its annual statistics.

Bermuda's preliminary quarterly GDP results for the calendar fourth quarter of 2019 indicated an estimated GDP at constant prices of \$1,603 million. This represented a 0.3% increase year-over-year. The main driver of the growth was a rise in the surplus on the external balance of goods and services.

Bermuda continues to maintain an economy focused on international business, finance, tourism and construction. Eight out of the 19 reporting industries experienced GDP growth in 2018. The following table shows GDP by industry for the years indicated.

Real gross domestic product ⁽¹⁾ by economic sector 2015-2018:

	For the year ended December 31,			
	2015	2016	2017	2018
	(dollars in thousands)			
Agriculture, Forestry and Fishing	14,371	20,837	19,809	18,122
Manufacturing	32,195	32,965	35,077	34,210
Electricity, Water Supply and Waste Management	84,723	64,456	65,488	71,486
Construction & Quarrying	210,123	232,200	242,841	276,743
Wholesale and Retail Trade	333,917	331,394	341,611	326,104
Transportation and Storage	121,754	122,501	132,079	133,806
Accommodation and Food Service	211,060	214,665	271,408	258,750
Information and Communication	182,124	171,776	182,170	173,872
Financial and Insurance Activities ⁽²⁾	906,266	890,566	906,103	914,051
Real Estate Activities	881,827	890,816	935,268	952,040
Professional, Scientific and Technical Activities	377,085	379,316	382,360	378,471
Administrative and Support Services	118,538	119,970	125,491	130,901
Public Administration	337,432	325,322	336,715	332,939
Education	126,896	130,895	129,507	127,488

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	For the year ended December 31,			
	2015	2016	2017	2018
	(dollars in thousands)			
Human Health and Social Work	308,532	313,745	315,367	324,336
Arts, Entertainment and Recreation	36,046	44,659	61,021	24,392
Other Service Activities	60,097	57,474	58,820	58,062
Activities of Households as Employers	14,123	13,820	13,739	13,161
International Business Activities	1,620,986	1,582,809	1,597,923	1,622,618
GDP at Constant Basic (2013) Prices	5,978,095	5,940,187	6,152,797	6,171,551
Add: Taxes less Subsidies on Products	296,647	293,317	305,825	293,880
GDP at Constant Purchasers' (2013) Prices	6,274,742	6,233,504	6,458,622	6,465,431
Percentage change from previous year	0.80%	-0.70%	3.60%	0.10%

Source: Department of Statistics, Bermuda.

- (1) The GDP analysis by the Department of Statistics, Bermuda shifted focus from Nominal GDP to Real GDP as of its fiscal year 2016 report.
(2) Financial and insurance activities refers to domestic insurance and financial services.

Under the Bermuda Companies Act 1981, Bermuda-based companies that generally do not operate in competition with local businesses (“exempted companies”) may be wholly-owned by non-Bermudians and are “exempted” from the foreign ownership limitations applicable to local companies. Foreign ownership of local entities operating within Bermuda is limited to 40%, other than with prior approval of the Minister of Finance. Foreign ownership of housing is restricted to houses at the top end of the market and to specified condominiums.

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.

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, through the Accountant General's Department, is responsible for maintaining systems of financial management and internal control designed 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, CPA, CGA
Financial Secretary



Curtis Stovell, CPA, CA
Accountant General

Hamilton, Bermuda
December 9, 2020



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

Opinion

I have audited the financial statements of the Consolidated Fund of the Government of Bermuda, which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated deficit, change in net debt and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of the Consolidated Fund as at March 31, 2020, and the results of its operations, 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.

Basis for Qualified Opinion

Inventories

The Consolidated Fund's inventories are carried in the statement of financial position at \$12,542,728. This balance includes inventories from the following: Department of Works and Engineering amounting to \$4,116,545 and Ministry of Public Works HQ amounting to \$1,543,716 as noted in Schedule 2. The related provision for obsolescence for these two departments amounted to \$365,305 and \$2,003,636, respectively. These Departments were not able to perform a physical inventory count nor were they able to perform a determination of slow-moving or obsolete inventory as at March 31, 2020. In addition, the Department of Marine and Ports was unable to support the physical inventory count results. The inventory balance of the Department of Marine and Ports amounted to \$2,665,988 as noted in Schedule 2. There is no related provision for obsolescence for this inventory balance. I was not able to satisfy myself concerning those inventory balances by alternative means.

As a result, I was unable to determine whether adjustments to inventories, expenses, total non-financial assets, annual deficit and accumulated deficit might be necessary for the year ended March 31, 2020. My audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly.

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Consolidated Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

COVID-19 Impact

As fully described in notes 18 and 19 to the financial statements, in March 11, 2020, the World Health Organization officially declared the outbreak of the novel coronavirus (COVID-19), a global pandemic. Given the measures the Government put into place to prevent and contain the spread of COVID-19, and the significant expenditures used to reopen the economy and provide relief to individuals and businesses, it is difficult to determine the impact of COVID-19 on the future operating and financial performance of the Consolidated Fund. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential future impact on the Government's financial position and operations. My opinion is not modified in respect of this matter.

Morgan's Point / Caroline Bay

As mentioned in Note 17(c), an independent assessment of the value of the assets in respect of the Consolidated Fund's secured and unsecured claims against George's Bay Limited was done. However, due to the high level of uncertainty related to the assets of George's Bay Limited and the costs which will be associated with recovering those assets, they were unable to provide a valuation range for accounting purposes as at the date of their report. As such, management has recognized a valuation allowance of \$183,286,237 on the gross value of the assets amounting to \$183,287,237. The net carrying value of \$1,000 has been included in the statement of financial position. The amount recognised as recoverable could change materially in the future, dependent on the outcome of future events, including the prospective use of the development site, future investment decisions by the Government and others, and future operations of George's Bay Limited. My opinion is not modified in respect of this matter.

Other Information

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.

Without qualifying my opinion, I wish to draw attention to the following:

Public Debt and Guarantees

As a result of a change in legislation in 2011, the Government Loans Act 1978 (the "Act"), as amended (2011), defines public debt as debt owed or guaranteed by the Consolidated Fund, but only if and when, and to the extent that, the guarantee obligation becomes due and payable by the Government. The Act limits public debt (net of sinking fund assets) to \$2.9 billion as at

March 31, 2020. The guarantees provided by the Consolidated Fund to various lenders, outside of public debt, totaled \$952 million as detailed in Notes 10 and 14. The Consolidated Fund is required to fulfill the guarantee obligations should there be any default.

Increasing Net Debt

In order to finance its annual operating deficits to fund operations, replace maturing debt and acquire capital assets, Government has borrowed money from various lenders. The level of net debt has increased by \$329 million to \$4.2 billion as of March 31, 2020. The accumulated deficit and the related debt continue to grow.

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.

Government business is transacted through other public funds and Government-controlled organizations such as the Bermuda Housing Corporation and the West End Development Corporation. 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Consolidated Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Consolidated Fund's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Consolidated Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of our auditor's report.

Hamilton, Bermuda
December 9, 2020



Heather Thomas, CPA, CFE, CGMA
Auditor General

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

		2020	2019
		Actual	Restated (Note 20)
		\$	\$
Liabilities			
	<u>Schedule</u>		
Accounts Payable and Accrued Liabilities	5	164,955,892	163,238,112
Bank Overdraft (Note 15 (a))		34,758,209	-
Deferred Revenue (Note 16)	6	15,469,017	603,107
Deferred Insurance Proceeds (Note 16)		2,747,180	-
		<u>217,930,298</u>	<u>163,841,219</u>
Interest Bearing Debt - Net of Sinking Fund	7	2,646,030,114	2,461,087,170
		<u>2,646,030,114</u>	<u>2,461,087,170</u>
Pensions and Other Employee Future Benefits			
- Pensions and Retirement Benefits (Note 9(g))		1,620,061,825	1,543,374,388
- Compensated Absences (Note 8)		32,514,162	31,131,052
		<u>1,652,575,987</u>	<u>1,574,505,440</u>
Other Liabilities			
Due to Government Funds and Agencies	3(a)	12,454,353	12,805,815
Total Liabilities		4,528,990,752	4,212,239,644
Financial Assets			
Cash ¹		26,261,542	26,658,762
Accounts Receivable	1	199,224,538	195,561,038
Due from Government Funds and Agencies	3	63,615,962	79,074,558
Morgan's Point / Caroline Bay (Note 17)		1,000	-
Investment in BLDC (Note 14(b)(iv))		5,000,000	5,000,000
Discount on Interest Bearing Debt (Note 15(b))		3,971,966	4,619,000
Long-Term Receivables	4	551,242	461,167
Total Financial Assets		298,626,250	311,374,525
Net Debt		4,230,364,502	3,900,865,119
Non-Financial Assets			
Tangible Capital Assets	11	633,064,632	668,747,265
Assets under Construction	11	39,368,311	21,845,777
Inventories for Consumption	2	12,542,728	12,664,167
Prepaid Expenses		5,092,113	3,474,237
Total Non-Financial Assets		690,067,784	706,731,446
Accumulated Deficit		3,540,296,718	3,194,133,673

¹Cash as at March 31, 2020 includes \$595,506 of restricted cash which represents monies collected from court orders. Restricted cash of \$524,755 as at March 31, 2019 has not been recorded in the Statement of Financial Position.

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

		2020	2019
		Actual ¹	Restated (Note 20)
		\$	\$
Revenue	<u>Schedule</u> 8, 9		
Taxes & Duties			
Payroll Tax		465,018,186	467,485,520
Customs Duty		221,897,400	226,054,830
Land Tax		84,498,029	79,744,831
Other Taxes and Duties		75,353,844	74,163,907
Passenger Tax		31,907,237	24,095,802
Total Taxes & Duties		878,674,696	871,544,890
Fees, Permits & Licenses		182,592,611	188,221,133
Other Revenue		22,604,651	34,149,193
Investment Income		2,479,233	6,564,584
Total Revenue		1,086,351,191	1,100,479,800
Expenses	10		
Economic Development		557,298,055	343,023,540
Health		206,916,079	194,859,692
National Security		170,040,210	166,491,699
Education		140,345,008	139,086,518
Interest on Debt		120,481,890	124,031,380
Social Services & Assistance		86,542,481	88,850,376
Pensions and Retirement Benefits Expense (Note 9(g))		78,070,547	78,447,240
Other Government Services		72,819,966	71,334,485
Early Tender Premium on Repurchased Debt (Note 15(b))		-	17,674,740
Total Expenses		1,432,514,236	1,223,799,670
Annual Deficit		(346,163,045)	(123,319,870)
Accumulated Deficit, Beginning of Year		(3,194,133,673)	(3,070,813,803)
Accumulated Deficit, End of Year		(3,540,296,718)	(3,194,133,673)

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**

	2020	2019
	Actual	Restated (Note 20)
	\$	\$
Annual Deficit	(346,163,045)	(123,319,870)
Change Due to Tangible Capital Assets:		
Additions to Tangible Capital Assets	(17,721,610)	(22,643,311)
Loss on Disposal or Impairment of Tangible Capital Assets and Adjustments	1,164,796	352,357
Net Additions to Assets under Construction	(17,522,534)	(2,361,036)
Amortization of Tangible Capital Assets	52,239,447	46,374,487
Total Change Due to Tangible Capital Assets	18,160,099	21,722,497
Net Reductions to Inventories for Consumption	121,439	616,418
Net Additions to Prepaid Expenses	(1,617,876)	(1,039,557)
Total Change Due to Inventories for Consumption and Prepaid Expenses	(1,496,437)	(423,139)
Increase in Net Debt	(329,499,383)	(102,020,512)
Net Debt, Beginning of Year	(3,900,865,119)	(3,798,844,607)
Net Debt, End of Year	(4,230,364,502)	(3,900,865,119)

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

	2020 Actual	2019 Actual
	\$	\$
Operating Activities		
Annual Deficit ¹	(346,163,045)	(123,319,870)
Items not affecting cash:		
Amortization of Tangible Capital Assets	52,239,447	46,374,487
Increase in Pension and Retirement Benefits Liability	76,687,437	77,201,342
Increase in Compensated Absences Liability	1,383,110	1,245,898
Loss on Disposal or Impairment of Tangible Capital Assets and Adjustments	1,164,796	352,357
Decrease in Non-Cash Working Capital	29,834,026	(12,717,003)
Cash Applied to Operating Activities	(184,854,229)	(10,862,789)
Capital Activities		
Additions to Tangible Capital Assets	(17,721,610)	(22,643,311)
Net Additions to Assets under Construction	(17,522,534)	(2,361,036)
Cash Applied to Capital Activities	(35,244,144)	(25,004,347)
Financing Activities		
Debt Issues	187,360,979	670,000,000
Sinking Fund Application of Funds (Contribution)	177,581,965	(68,734,686)
Repayment of Debt	(180,000,000)	(558,935,000)
Cash Provided by Financing Activities	184,942,944	42,330,314
Net (Decrease) Increase in Cash	(35,155,429)	6,463,178
Cash, Beginning of Year	26,658,762	20,195,584
Overdraft, net of Cash, End of Year	(8,496,667)	26,658,762
Cash, End of Year		
Cash	26,261,542	26,658,762
Bank Overdraft	(34,758,209)	-
Cash, End of Year	(8,496,667)	26,658,762

1 - Interest received during the year was \$2,479,233 (2019 - \$6,497,823). Interest received is made up of interest income from the Statement of Operations and Accumulated Deficit in the amount of \$2,449,402 (2019 - \$6,564,584) plus the change in accrued interest receivable in the amount of \$29,831 (2019- \$66,761). Interest paid during the year was \$120,345,877 (2019 - \$121,368,613). Interest paid is made up of interest expense from the Statement of Operations and Accumulated Deficit in the amount of \$120,481,890 (2019 - \$124,031,380) less facility fees of \$745,285 (2019 - 2,287,350, less amortization of discount of \$647,034 (2019 - \$124,904) and less the change in accrued interest payable in the amount of \$4,556,744 (2019 - \$249,513).

Government of Bermuda – Consolidated Fund

Notes to the Financial Statements

March 31, 2020

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.

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

(b) Revenues

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, foreign currency purchase tax, financial service tax 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. Passenger tax, foreign currency purchase tax, hotel occupancy tax, betting tax, timesharing tax, and financial services 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.

Government transfers are recognized as an expense in the period the transfer is authorized and all eligibility criteria have been met by the recipient.

Costs arising from obligations under guarantees are recognized as expenses when management determines that Government will likely be called upon to make payment. The expense represents management's best estimate of future payments less recoveries.

Classification of expenses between current account items and capital account items follows the classification in the Approved Estimates of Revenue and Expenditure for the year 2019/20 (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, accounts receivable, amounts due from Government funds and agencies, long-term receivables and investments in quasi-autonomous non-governmental organizations ("QUANGO"s).

Cash includes 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, 2020

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 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 are charged to capital expenses in the year of purchase, which is consistent with prior years. These expenses are 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 not 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, 2020

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

(f) Non-Financial Assets (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 – 20 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 buildings, betterments, vehicles, computer hardware, computer software, infrastructure, office equipment and vessels in development. Assets under construction are not amortized.

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.

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.

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

(f) Non-Financial Assets (cont'd)

Inventories for consumption that no longer have service potential are valued at the lower of cost or net realizable value.

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 supplied on or before the year-end. Liabilities also include grant payments due on or before the year-end.

(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, accruals for liabilities through actuarial valuations and provisions for inventory obsolescence.

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

(i) Measurement Uncertainty (cont'd)

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.

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 prudent financial and debt management, and 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.

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

(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 (PSAB). The following standards are not yet effective and have not been applied in preparing these financial statements.

PSAB has deferred the effective dates of all upcoming pronouncements by one year.

New standards effective for fiscal years beginning on or after April 1, 2022 include:

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.

PS 3041 Portfolio investments – when Sections PS 1201, PS 2601 and PS 3450 are adopted.

PS 3050 Loans Receivable (Effective Interest Method) – replaces paragraph PS 3050.25 and establishes that a loan discount should be amortized using the effective interest rate method.

PS 3280 Asset Retirement Obligations – a new accounting standard that addresses the reporting of legal obligations associated with the retirement of tangible capital assets.

New standards effective for fiscal years beginning on or after April 1, 2023:

PS 3400 Revenue – a new accounting standard that will address recognition, measurement and presentation of revenues that are common in the public sector.

The Government does not intend to adopt these new standards prior to the effective dates. An assessment will be done to determine the impact that these standards will have on the financial statements.

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, 2019 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 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. Schedule 12 restates actual expenses on the modified cash basis for comparative and analytical purposes against the Adjusted Estimates. The primary 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 an 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. Changes in the environmental liability are not considered expenditure for budget purposes.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

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. Please see also Note 15 and Note 19(i)(v).

Each year the Fund is required to pay into the GBSF 2.5% of the public debt outstanding at the end of the preceding year, or such other amount as the Minister may deem appropriate, upon taking into consideration the annual budget.

2019		2020		
\$		\$		
Sinking Fund	Contributions	Earnings	Payments	Sinking Fund
218,912,830	-	2,418,035	(180,000,000)	41,330,865

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 GBSF 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.

On June 21, 2019 an amendment to the Government Loans Act 1978 was tabled and passed in the Legislature. It was passed in the senate on July 3, 2019. The amendment gives the Minister of Finance flexibility with regard to making a contribution into the GBSF and removes the provision for Government having to pay interest to the GBSF for late payments. This amendment applies to the current fiscal year, and therefore no contribution was made to the GBSF for the financial year 2019/2020.

The assets of the GBSF are comprised of the following:

	2020	2019
	\$	\$
Cash & Cash Equivalents	11,166,653	84,418,996
Fixed Income Securities	29,995,787	133,639,043
Interest Receivable	168,425	854,791

There are separate financial statements for the GBSF to which readers should refer for further information. The amounts disclosed are unaudited. Fiscal year 2016 was the last audit of GBSF.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
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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 the Fund general operating cash and the accumulated deficit.

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.

On March 24, 2020 the Government enacted the Public Treasury (Administration and Payments) (Temporary Unemployment Benefit) Regulations 2020 to provide temporary unemployment benefits to individuals directly impacted by COVID-19. The unemployment benefit will be paid to eligible individuals for a maximum period of eighteen weeks beginning from the date the application for the unemployment benefit is approved. See also Note 19(i)(vi).

8. Compensated Absences

Government employees are entitled to paid retirement leave under various collective bargaining agreements 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, up to a maximum of twelve weeks.

An actuarial valuation of the Government’s obligation for retirement leave was performed at March 31, 2020, using similar various long-term assumptions as the Public Service Superannuation Fund (the “PSSF”) pension plan (Note 9 (d)). The closing discount rate used for pre-retirement leave benefits calculations was changed to 4.25% (2019 - 6.5%) following a review of the assumptions used for the valuation of the Government’s benefits obligation. The change in the closing discount rate will result in an increase in the liabilities reported in the Statement of Financial Position for the financial year ending March 31, 2021.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

8. Compensated Absences (cont'd)

The valuation determined that the liability for compensated absences at March 31, 2020 is \$32,514,162 (2019 - \$31,131,052), as detailed in the table below.

For the year ended March 31	2020	2019
	\$	\$
Liability for Compensated Absences		
Accrued Benefit Obligation	32,326,445	27,623,129
Net Unamortized Experience Gain ^(a)	187,717	3,507,923
	<u>32,514,162</u>	<u>31,131,052</u>

^(a) Under Public Sector Accounting Standards, gains and losses are amortized over the expected average remaining service life of the members of each plan, which is thirteen years.

For the year ended March 31	2020	2019
	\$	\$
Liability for Compensated Absences, beginning of year	31,131,052	29,885,154
Amortization of experience gain	(466,815)	(466,812)
Current period benefit cost	1,589,069	1,492,083
Interest accrued	1,797,216	1,685,075
Benefit payments	(1,536,360)	(1,464,448)
Liability for Compensated Absences, end of year	<u>32,514,162</u>	<u>31,131,052</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, all ministers and members of the Legislature, and some QUANGO employees. The Government currently operates 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.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

9. Pensions and Retirement Benefits (cont'd)

(a) Contributory Defined Benefit Pension Plans (cont'd)

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. Government made contributions to each plan during the year as follows: PSSF - \$30,933,603 (2019 - \$30,554,415), MMLPF - \$477,787 (2019 - \$470,679). 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. See also Note 19(i)(iv).

(b) Pension Liability

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 for both the PSSF and the MMLPF at March 31, 2020, 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, interest rates, wage and salary increases, employee turnover and mortality. The actuarial assumptions were reviewed for March 2020 and this review resulted in a change to the closing discount rate for the PSSF and MMLPF. Assumptions relating to the retirement age, termination rates, salary increase rates and marital status at retirement, supported by the results of Experience Studies performed for the March 2017 valuation, remain unchanged.

These assumptions were used in the valuation of the PSSF and MMLPF liabilities at March 31, 2020. All assumptions reflect Government's best estimates of expected long-term rates and short-term forecasts.

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 \$609,744,467 as at March 31, 2020 (2019 - \$615,887,376) compared to a real market value of \$559,934,653 (2019 - \$606,375,374).

For the MMLPF, there is no difference between the market value of plan assets and the market-related value. At March 31, 2020 the value was \$10,859,475 (2019 - \$11,177,876). The actual return on plan assets during the year was -13.89% (2019 - 3.98%) for the PSSF and 3.44% (2019 - 3.41%) for the MMLPF.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

9. Pensions and Retirement Benefits (cont'd)

(b) Pension Liability (cont'd)

At March 31, 2020, \$2,081,442 was due from the PSSF (2019 - \$1,614,799) in respect of benefits paid in excess of contributions received by the Fund (Schedule 3). At March 31, 2020 \$11,057,460 (2019 - \$11,406,721) was due to the MMLPF in respect of contributions received in excess of benefits paid by the Fund (Schedule 3(a)).

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

For the year ended March 31	2020	2019
	\$	\$
Pension Liability		
Accrued Benefit Obligation		
PSSF	1,635,652,000	1,566,192,000
MMLPF	<u>31,660,000</u>	<u>32,848,000</u>
	<u>1,667,312,000</u>	<u>1,599,040,000</u>
Net Fund Assets		
PSSF	(609,744,000)	(615,887,000)
MMLPF	<u>(10,859,000)</u>	<u>(11,178,000)</u>
	<u>(620,603,000)</u>	<u>(627,065,000)</u>

For the year ended March 31	2020	2019
	\$	\$
Net Unamortized Experience Gain/(Loss)^a		
PSSF	12,847,000	44,305,000
MMLPF	1,785,000	(182,000)
	<u>14,632,000</u>	<u>44,123,000</u>
Pension Liability		
PSSF	1,038,755,000	994,610,000
MMLPF	22,586,000	21,488,000
Carried Forward to Note 9 (g)	<u>1,061,341,000</u>	<u>1,016,098,000</u>

**Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020**

9. Pensions and Retirement Benefits (cont'd)

(b) Pension Liability (cont'd)

**Accrued Benefit Obligation
For the year ended March 31**

	2020			2019
	PSSF \$	MMLPF \$	Total \$	\$
Accrued benefit obligation at beginning of year	1,566,192,000	32,848,000	1,599,040,000	1,535,321,000
Current Period Benefit Cost	46,710,000	1,166,000	47,876,000	47,285,000
Interest Accrued on benefits	102,037,000	2,140,000	104,177,000	100,149,000
Benefit payments	(86,193,000)	(2,187,000)	(88,380,000)	(83,715,000)
Expected accrued benefit obligation at end of year	1,628,746,000	33,967,000	1,662,713,000	1,599,040,000
Actual accrued benefit obligation at end of year	(1,635,652,000)	(31,660,000)	(1,667,312,000)	(1,599,040,000)
Experience gain/(loss)	(6,906,000)	2,307,000	(4,599,000)	-

^(a) Under Public Sector Accounting Standards, gains and losses are amortized over the expected average remaining service life of the members of each plan, which ranges from nine to thirteen years.

(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.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

9. Pensions and Retirement Benefits (cont'd)

(c) Pension-Related Expenses (cont'd)

For the year ended March 31	2020	2019
	\$	\$
Pension Expense		
Cost of Pension Benefits	47,876,000	47,285,000
Employee Contributions	(31,412,000)	(31,025,000)
Interest on Pension Liability	64,231,000	60,583,000
Amortization of Experience (Gains) & Losses		
2015 Experience Gain	(293,000)	(293,000)
2016 Experience Loss	1,777,000	1,777,000
2017 Experience Gain	(6,337,000)	(6,337,000)
2018 Experience Loss	539,000	539,000
2019 Experience Loss	824,000	-
Pensions Expense excluding Employer Contribution	<u>77,205,000</u>	<u>72,529,000</u>

(d) Value of Obligations Relating to Benefits for the Pension Plans

The value of the accrued benefit obligation (“ABO”) relating to the pension plans 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 assumptions made by the Government.

Actuarial Assumptions – PSSF

Economic Assumptions		
Investment return (discount rate at beginning of period)	6.50% per annum	
Investment return (discount rate at end of period)	6.25% per annum	
Inflation Rate	3.00% per annum	
Interest credited on employee contributions	4.00% per annum	
Salary increase rates	Age band	% per annum
	20-25	6.00
	25-30	6.00
	30-35	5.10
	35-40	4.40
	40-45	4.15
	45-50	4.10
	50-55	3.90
	55-60	3.65
60-65	3.45	

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

9. Pensions and Retirement Benefits (cont'd)

(d) Value of Obligations Relating to Benefits for the Pension Plans (cont'd)

Actuarial Assumptions – MMLPF

Economic Assumptions	
Investment return (discount rate at beginning of period)	6.50% per annum
Investment return (discount rate at end of period)	6.25% per annum
Inflation Rate	3.00% per annum
Salary increase rate	3.50 % per annum

Changes in these assumptions may lead to a material increase or decrease in the value of the ABO 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 ABO 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 the ABO relating to PSSF benefits at March 31, 2020:

Assumption	Change	(Reduction) Increase in ABO	
		\$	%
Discount rate	1.0% increase	(178,108,000)	(10.9)
	1.0% decrease	220,588,000	13.5
Salary increase rate	1.0% increase	69,365,000	4.2
	1.0% decrease	(60,873,000)	(3.7)
Life expectancy	1 year increase	26,640,000	1.6
	1 year decrease	(27,497,000)	(1.7)

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

9. Pensions and Retirement Benefits (cont'd)

(d) Value of Obligations Relating to Benefits for the Pension Plans (cont'd)

Impact of changes on the main assumptions on the value of the ABO relating to MMLPF benefits as at March 31, 2020:

Assumption	Change	(Reduction) Increase in ABO	
		\$	%
Discount rate	1.0% increase	(3,074,000)	(9.7)
	1.0% decrease	3,680,000	11.6
Salary increase rate	1.0% increase	811,000	2.6
	1.0% decrease	(753,000)	(2.4)
Life expectancy	1 year increase	787,000	2.5
	1 year decrease	(805,000)	(2.5)

(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 Scheme

The Government maintains a health insurance scheme, for substantially all of its current and retired employees, some ministers and members of the Legislature and some QUANGO employees. The Government Employees Health Insurance Fund (the “GEHI Fund”) pays for expenses incurred by insured persons and their enrolled dependants. Every insured person contributes to the GEHI Fund, with the Government matching those contributions.

An actuarial calculation of the Government’s ABO for retirement benefits other than pensions was performed for accounting purposes at March 31, 2020, using various long-term assumptions.

Following a review of the assumptions used for the actuarial calculations, the closing discount rate used in determining the accumulated post-retirement benefit obligation was revised to 4.25% (2019 – 6.5%). The assumed healthcare cost trend rate used was 6.3%

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

9. Pensions and Retirement Benefits (cont'd)

(f) Retirement Benefits Other than Pensions – Employee Health Insurance Scheme (cont'd)

(2019 - 6.5%). This trend rate decreases by 0.3% per annum to reach an ultimate rate of 4.2%. Where relevant, the other assumptions used are the same as those used for the PSSF.

Effective February 1, 2019 there was a 5% increase in contribution rates. With this increase, the claims cost incurred by the Government were expected to decline and gave rise to an actuarial gain at March 31, 2019. These actuarial gains are amortized over the expected average remaining service life of active employees.

Aggregate information about the health insurance scheme is in the table below:

	2020	2019
	\$	\$
Accrued benefit obligation at beginning of year	460,791,789	467,027,349
Current period benefit cost	17,176,477	17,755,680
Interest accrued	30,162,958	30,607,693
Benefit payments	(10,669,043)	(10,035,200)
	<hr/>	<hr/>
Accrued benefit obligation at end of year	497,462,181	505,355,522
	<hr/>	<hr/>
Expected accrued benefit obligation at end of year	497,462,181	505,355,522
Actual accrued benefit obligation at end of year	779,397,564	460,791,789
	<hr/>	<hr/>
Experience (loss)/gain	(281,935,383)	44,563,733

	2020	2019
Expected average remaining service life	14 years	14 years
Annual (loss)/gain amortization	(\$20,138,242)	\$3,183,124

Liability for retirement benefits recorded in the statement of financial position

	2020	2019
	\$	\$
Accrued benefit obligation, end of year	779,397,564	460,791,789
Unamortized experience (loss)/gain	(220,676,739)	66,484,599
	<hr/>	<hr/>
Liability for retirement benefits (Note 9(g))	558,720,825	527,276,388

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

9. Pensions and Retirement Benefits (cont'd)

(f) Retirement Benefits Other than Pensions – Employee Health Insurance Scheme (cont'd)

Expenses recorded in the statement of operations and accumulated deficit

	2020	2019
	\$	\$
Current period benefit cost	17,176,477	17,755,680
Amortization of experience gains	(5,225,955)	(2,042,831)
Retirement benefit expense	11,950,522	15,712,849
Retirement benefit interest expense	30,162,958	30,607,693
Total expenses related to retirement benefits	<u>42,113,480</u>	<u>46,320,542</u>

(g) Pensions and Retirement Benefits Liability and Expense Summary

	2020	2019
	\$	\$
Pensions (Note 9(b))	1,061,341,000	1,016,098,000
Retirement Benefits other than Pensions – Health Insurance Scheme (Note 9(f))	558,720,825	527,276,388
Total Pensions and Retirement Benefits Liability	<u>1,620,061,825</u>	<u>1,543,374,388</u>

	2020			2019
	Pension Plans	Other Benefits	Total	Total
	\$	\$	\$	\$
Current period benefit cost	47,876,000	18,765,546	66,641,546	66,532,763
Amortization of experience gains	(3,490,000)	(5,692,770)	(9,182,770)	(6,823,643)
Employee contributions	(31,412,000)	-	(31,412,000)	(31,025,000)
Interest on accrued benefits	64,231,000	31,960,174	96,191,174	92,875,768
Employer contributions	(31,962,000)	(12,205,403)	(44,167,403)	(43,112,648)
Pensions and retirement benefits expense	<u>45,243,000</u>	<u>32,827,547</u>	<u>78,070,547</u>	<u>78,447,240</u>

10. Contingent Liabilities

(a) Guarantees

Hotel Bermuda Holdings Ltd. (“HBH”) Guarantee

The Government has a Master Development Agreement (“MDA”) with HBH, a part of the Desarrollos Hotelco Group, the developers of the proposed St. Regis Luxury Hotel, Casino, Spa and Golf Resort in St. George’s. On May 12, 2017, the Minister of Finance announced the Government’s willingness to support the financing of this project by committing to provide a guarantee of up to \$25 million for an estimated project cost of \$150 million. The guarantee provides that the Government cannot be legally required to fund more than \$25 million to repay the lender if HBH is unable to meet their obligations to the lender. The financing being guaranteed is provided under a loan facility maturing in fifteen years. The outstanding balance of the loan as at March 31, 2020 amounted to \$24,790,000.

The Government made a further commitment to the project, via an amendment to the MDA, to support the development on a number of infrastructure-related matters, including drilling a water well, installing a back-up generator, constructing a new realigned public road and provision of free metered water. The total value of these additional commitments is not to exceed \$2.7 million.

Pursuant to the provision of section 3 of the St George’s Resort Act 2015, in June 2017 the Government entered into various land lease agreements with the developer for a period of 262 years.

(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, 2020 is \$15,327,936 (2019 - \$17,775,201).

(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 \$23,743,465 (2019 - \$23,743,465) has been accrued, which is an estimate of the remaining costs of the clean-up and remediation at two former major base land sites. The estimated range is \$18.4 million to \$21 million.

10. Contingent Liabilities (cont'd)

(c) Base Lands Clean Up (cont'd)

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 is set at \$22.7 million, comprised of the prior year provision as no additional 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.

(d) Hotels Concession Act 2000

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 if the development is likely, among other considerations:

- to benefit the tourism industry and the economy generally;
- to create employment and entrepreneurial opportunities for Bermudians; and
- to encourage local investment.

The concessions are granted at the discretion of the Minister of Tourism 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.

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.

Government of Bermuda – Consolidated Fund
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March 31, 2020

10. Contingent Liabilities (cont'd)

(d) Hotels Concession Act 2000 (cont'd)

The total of the hotel concessions granted as at March 31, 2020 was \$2,494,995 (2019 - \$1,638,918), which may be applied against any future payroll tax or hotel occupancy tax incurred by the applicable hotels.

In addition to this amount, \$69,196,336 (2019 - \$73,532,201) is available for use but has not yet been granted by the Ministry of Tourism and Transport as per the terms and conditions of the individual orders.

In March 2014, with an operative date of February 27, 2015, the Morgan's Point Resort Act 2014, which includes hotel concessions was tabled and later approved in the House of Assembly. 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.

The Tourism Investment Act 2017 became operative on November 10, 2017. As a result, the Hotel Concession Act 2000 has been discontinued and several hotel concessions under this Act were revoked.

(e) St. George's Resort Act 2018

In July 2018, with an operative date of August 31, 2018, the St. George's Resort Act 2018 was approved. The St. George's Resort Act 2015 was simultaneously repealed. A Hotel Concession embedded in the 2015 Resort Act was amended to be a Tourism Investment Order. 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 the value of these concessions is not capped.

(f) Tourism Investment (Bermudiana Beach Resort) Order 2018

In February 2019, with an operative date of February 21, 2019, the Tourism Investment (Bermudiana Beach Resort) Order 2018 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 \$5,000,000 over a period of ten years and is restricted to the actual tax due. The land tax concession cannot be determined until the valuation of the property is completed and will be applied over a period of 5 years. The value of these concessions is not capped but is restricted to the tax due.

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

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:

	\$
2021	643,707
2022	2,291,092
2023	3,175
2024	3,175
2025	3,175
2026 and subsequent	<u>33,926</u>
Total Future Operational Obligations	<u>2,978,250</u>

12. Contractual Obligations

(a) Capital Leases

The average period of capitalized leased office machines is 3 years. The lease payments period of capitalized leased LED street lights (luminaires) is over 10 years. The useful life of the capitalized LED street lights (luminaries) is 20 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. Interest expense for leased capital assets were \$337,898 for the year (2019 - \$288,606).

The following is an analysis of the leases:

	2020	2019 (Restated)
	\$	\$
Present value of lease cost	8,642,675	8,614,956
Less: Accumulated amortization	<u>(6,223,511)</u>	<u>(5,986,632)</u>
Present value of lease obligations	<u>2,419,164</u>	<u>2,628,324</u>

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12. Contractual Obligations (cont'd)

(a) Capital Leases (cont'd)

The following is a schedule of discounted future minimum lease payments under leases expiring up to August 31, 2026:

	\$
2021	463,314
2022	414,121
2023	381,807
2024 and subsequent	<u>1,159,922</u>
Present value of lease obligations	<u><u>2,419,164</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:

	\$
2021	15,563,927
2022	5,976,985
2023	1,674,786
2024	1,072,882
2025	1,072,882
2026 and subsequent	<u>307,135</u>
Total Contractual Obligations	<u><u>25,668,597</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:

	\$
2021	5,894,495
2022	5,682,545
2023	5,002,816
2024	3,761,149
2025	2,330,640
2026 and subsequent	<u>9,121,439</u>
Total Future Minimum Operating Lease Payments	<u>31,793,084</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, \$Nil (2019 - \$Nil) in Supplementary Estimates were approved and spent which consisted of \$Nil (2019 - \$Nil) for current expenditure and \$Nil (2019 - \$Nil) for capital expenditure.

During the year \$8,745,175 (2019 - \$17,969,925) in virements were approved and transferred which consisted of \$3,109,003 (2019 - \$5,661,799) for current expenditure and \$5,636,172 (2019 - \$12,308,126) for capital expenditure.

Additional expenditures of \$21,124,184 (2019 - \$8,914,242) were incurred in excess of amounts appropriated by the Ministry and will require final approval, which consisted of \$17,928,087 (2019 - \$4,838,909) for current expenditure and \$3,196,097 (2019 - \$4,075,333) for capital expenditure.

Additional virements of \$15,653,593 (2019 - \$6,564,757) require final approval and transfer, which consisted of \$10,186,335 (2019 - \$4,504,184) for current expenditure and \$5,467,258 (2019 - \$2,060,573) 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 Insurance 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 3.5% per annum rate of interest accruing on the balances is the statutory rate as fixed by the Interest and Credit Charges (Regulation) Act 1975 (2019 - 3.5% 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.

14. Related Party Transactions (cont'd)

(b) QUANGOs and Other Government-Related Organizations (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 Hospitals Board (the “BHB”) Guarantee

On December 1, 2010, the Minister of Finance provided an irrevocable Guarantee to Paget Health Services Limited (“PHS”) 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 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 \$27.4 million (2019 – \$27.1 million). The Guarantee agreement guarantees the payment obligations of the BHB to Paget Health Services Limited by the Government, including principal, interest, life cycle and hard facilities’ maintenance expenses, as required by the lenders. The total of BHB’s remaining contractual obligation, which is to March 2044, to PHS at March 31, 2020 is \$816.6 million (2019 – \$845.3 million).

(ii) 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, 2020 is \$1,480,310 (2019 - \$1,381,129).

(iii) 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 deficit as at December 31, 2019, therefore \$nil is owed to Government.

14. Related Party Transactions (cont'd)

(b) QUANGOs and Other Government-Related Organizations (cont'd)

(iv) 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.

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

On July 12, 2011, the Government provided a letter of comfort to Butterfield Bank (“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, 2020 was \$12,325,000 (2019 - \$11,850,000).

(vi) WEDCO Guarantee

On February 13, 2019, the Minister of Finance consented to a new credit facility comprising of a term loan and a project loan. The loan facility is for a term of seven years, maturing on February 28, 2026.

The term loan is a consolidation of two existing facilities:

- i. The Infrastructure and Housing Project Loan - 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.
- ii. The Land Reclamation Project loan - 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.

Under the new credit facility, the WEDCO loans are secured by one guarantee in the amount of \$71,850,000. 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. The balance of the new credit facility as at March 31, 2020 was \$53,056,968 (2019 - \$56,656,968).

14. Related Party Transactions (cont'd)

(b) QUANGOs and Other Government-Related Organizations (cont'd)

(vi) WEDCO Guarantee (cont'd)

The project loan - The \$15 million project loan was to facilitate the payment of the King's Wharf project. The Government initiated an accelerated replacement program of King's Wharf in October 2018 due to major deterioration and structural and safety issues. King's Wharf is owned by WEDCO. The BNTB loan facility will be serviced by grants in the coming years. The balance outstanding on the loan facility as at March 31, 2020 was \$13,948,892.

The Ministry of Public Works paid for immediate expenses resulting from the King's Wharf project and the outstanding portion was recorded as a receivable outstanding from WEDCO as at March 31, 2019, an amount of \$1,708,748. This receivable was settled in full by WEDCO in August 2019.

(vii) 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 balance outstanding as at March 31, 2020 was \$29,300,000 (2019 - \$29,300,000).

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.

(viii) Regulatory Authority (the "RA")

On February 25, 2019, the Government provided a letter of comfort to Clarien Bank Limited. ("Clarien") on behalf of the RA supporting a revolving line of credit of \$2 million. A line of credit for \$1.5 million at Clarien was finalized on September 9, 2019.

On October 24, 2019, the Ministry of Finance issued a letter of comfort to Clarien approving the borrowing of \$1,500,000 by RA to assist with short term working capital requirements. On November 25, 2019, the RA established a Revolving Line of Credit with Clarien in the amount of \$1,500,000. This facility which expires on September 30, 2021 bears a fixed interest of 5.0% per annum. As at March 31, 2020, the RA had a drawdown of \$1,015,081 and interest due of \$982.

In accordance with Section 41 (1) (a) of the Regulatory Authority Act 2011, the RA will pay 50% of its net surplus to the Fund. The Fund's share of RA's net surplus for the year ended March 31, 2020 was \$Nil (2019 - \$93,698).

14. Related Party Transactions (cont'd)

(b) QUANGOs and Other Government-Related Organizations (cont'd)

(ix) 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. The Government agreed to redevelop the airport by using a government-to-government contracting model with the Canadian Commercial Corporation (“CCC”) which is wholly owned by the Government of Canada. Since mid-2014 the Government has engaged with the CCC and its selected project partner Aecon Group Inc. (collectively the “Project Partner” or “Concessionaire”). The model involved an incremental contract development process that began when the parties entered into a Memorandum of Understanding on November 10, 2014, which led to the execution of a series of Letters of Agreement. A further interim agreement, called the Airport Development Agreement (“ADA”), which was entered into on August 31, 2015, sets out and describes the scope, principles and high level terms (“Heads of Agreement”) of the Project's final and definitive arrangements.

After detailed negotiations, the Government and the Project Partners reached agreement on all material aspects of the Project, and a set of definitive core project agreements and associated schedules (collectively referred to as “the Agreement”) were prepared and signed by the Minister of Tourism, Transport and Municipalities and the Minister of Finance on March 15, 2017 (“Financial Close”) for the transaction.

The Agreement stipulates that the Government will enter into a 30-year concession agreement with a Special Purpose Entity, Bermuda Skyport Corporation Limited (“Skyport”). Skyport is owned by Aecon, who will hold at least 35% of the equity, and other third party shareholders. The Agreement will include both construction of the new airport as well as operations and maintenance of the airport for the concession term, except for operations that Bermuda will retain, being air traffic control operations, meteorological services, airport fire and rescue services and ground electronics (“the Retained Government Services”).

Under the Agreement, Government will provide Skyport with limited financial support and assistance, including:

- the accumulated Airport Improvement Fees revenue;
- guaranteed minimum regulated revenue; and
- the amount in respect of annual energy consumption for the airport.

All airport charges will be deregulated and governed by the terms of the Agreement. Skyport will have the sole right to charge and enforce all airport-related fees.

14. Related Party Transactions (cont'd)

(b) QUANGOs and Other Government-Related Organizations (cont'd)

(ix) L.F. Wade International Airport Redevelopment (cont'd)

The Airport Redevelopment Concession Act 2017, effective March 9, 2017, resulted in a number of concessions and exemptions to Skyport and its affiliates, CCC, Aecon and the finance parties. The concessions include relief from certain taxes and environmental exemptions. The value of these concessions is not able to be determined, as they are not capped.

The Government created a QUANGO, the Bermuda Airport Authority (the “BAA”), under the Bermuda Airport Authority Act 2017, to administer the Airport Development Agreement 2015 and provide the Retained Government Services. All airport property, excluding airport lands, and all liabilities and contracts were transferred to the BAA at the vesting date.

On October 19, 2018 an Assignment and Transfer Agreement (“ATA”) was made between the BAA and the Government of Bermuda. This ATA re-assigned and re-transferred certain assets and liabilities obligation accrued and appropriated back to the Government with an effective date of March 16, 2017. These assets and liabilities should have remained with the Government even though they formed part of the Airport property at financial close.

The Government has leased existing airport land and facilities to Skyport for the 30-year term of the Agreement. The Agreement provides that the lease, and the transfer of the airport assets, labour force and responsibility for airport operations to Skyport, occurred at Financial Close. The Agreement does not have any extension options, so at the end of the term, the airport and all airport assets will revert to the BAA subject to the Agreement’s hand-back standards.

On March 14, 2020, Skyport issued a Supervening Event Notice claiming that a Force Majeure Event had arisen as a result of the COVID-19 pandemic which resulted in reduced airport traffic and revenues. See Note 19(i)(iii).

(x) Bermuda Shipping and Maritime Authority

On July 12, 2016, the Bermuda Shipping and Maritime Authority (the “BSMA”) was established by the Bermuda Shipping and Maritime Authority Act 2016 (the “BSMA Act”). At March 31, 2020, the BSMA had a loan of \$1,090,000 (2019 - \$1,590,000) from the Fund.

In accordance with Section 19(1)(a) of the BSMA Act, the BSMA will transfer a percentage of its net surplus, if any, to the Fund. The 2018 net position of the BSMA provided for an operating surplus of \$1,873,166. However, in May 2020, the BSMA received approvals from the Minister of Finance and the Minister of Tourism and Transport for the surplus to be utilized to recoup anticipated net losses for the 2019 and 2020 years.

14. Related Party Transactions (cont'd)

(b) QUANGOs and Other Government-Related Organizations (cont'd)

(xi) Bermuda Civil Aviation Authority

In accordance with Section 18(1)(a) of the Bermuda Civil Aviation Authority Act (the “BCAA Act”), the Bermuda Civil Aviation Authority (the “BCAA”) will transfer a percentage of its net surplus to the Fund. The BCAA reported a net surplus of \$19,000,000 for the year ended March 31, 2020 (2019 - \$15,105,914). The amounts to be transferred to the Fund are included in Due from Government Funds and Agencies (Schedule 3) at March 31, 2020.

(xii) Bermuda Casino Gaming Commission

On April 4, 2017, the Government authorized the transfer of \$1.6 million from the Fund to the Bermuda Casino Gaming Commission (the “BCGC”) in the form of an interest-free loan. In July 2018, the Government transferred a further \$500,000 to the BCGC. As at March 31, 2020, \$2.1 million is outstanding from the loan.

On January 5, 2019, the Government signed a guarantee on behalf of the BCGC supporting an overdraft facility with BNTB of \$1.2 million. During the year, the total amount of the facility was increased to \$2.7 million. The Ministry of Finance guaranteed to make good any default on the part of BCGC until all indebtedness to BNTB has been fully discharged.

At March 31, 2020, \$2,251,545 (2019 - \$1,021,483) had been drawn on the facility.

(xiii) Bermuda Tourism Authority

On February 13, 2019, the Minister of Finance consented to a \$10 million 5 year fixed rate loan by the Bermuda Tourism Authority (the “BTA”) from BNTB. The loan was used to facilitate the repayment in full of the outstanding project capital costs and accrued interest on the widening of the North Channel to permit Quantum Class cruise ships passage to Bermuda. The Ministry of Finance guaranteed to make good any default on the part of BTA in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by BTA until all indebtedness to BNTB has been fully discharged.

The loan balance was \$8,000,000 on March 31, 2020 (2019 - \$10,000,000). See also Note 19(c).

14. Related Party Transactions (cont'd)

(c) Provision for Doubtful Accounts – Due from Government Funds & Agencies

A provision for doubtful accounts is recorded when there is no reasonable assurance of collection of the carrying amounts of a loan or receivable balance. Due to this uncertainty, a provision of \$23 million (2019 - \$Nil) has been made for balances owed to the Fund by various Government Funds and Agencies (see also Schedule 3).

15. Debt

(a) Bank Overdraft

In May 2019, the Government entered into a new \$35 million overdraft facility agreement at Clarien. The overdraft facility expires on May 14, 2020.

In June 2019, the Government renewed two overdraft facility agreements at BNTB, of \$2 million and \$500,000, with expiry on June 30, 2020. The daily charge applied to overdrawn balances was 1% above BNTB's base rate. See Note 19(a).

(b) Discount on Bond

In November 2018, Government issued debt of \$620 million of 4.750%, 10 year bonds, due January 2029 at an issue price of \$615 million, resulting in a discount of \$4,619,000. The discount has been amortized by \$647,034 to date using the effective interest method.

(c) Debt Maturity

In May 2019, \$100 million of 5.93% senior notes matured and were paid off. In November 2019, \$80 million of 5.603% senior notes matured and were paid off.

(d) Credit Facility

In September 2019, Government entered into a credit facility agreement with BNTB and HSBC for \$200 million. The facility accrues interest at 4.25% and has a maturity date of September 17, 2020. See Note 19(f).

(e) Limit on the Public Debt

Effective September 13, 2019, section 2A(1) of the Government Loans Act 1978 was amended to increase, by \$250 million, the limit on public debt from \$2.50 billion to \$2.75 billion. On March 16, 2020, the debt ceiling was further increased to \$2.90 billion in anticipation of the negative impacts of the COVID-19 pandemic and to ensure the Government had adequate liquidity to fund public health and emergency financial measures related to COVID-19. See also Note 19(i)(v).

16. Deferred Revenue

(a) Insurance Claims

Monies not yet spent for the purpose specified are accounted for as deferred revenue. During the year, the Fund received proceeds from insurance claims to be used to cover financial losses due to specific events. At year end, \$2,747,180 (2019 - \$nil) of these funds remained, and were due to Hurricane Humberto, and other insurance claims, \$2,421,680 and \$325,500, respectively.

(b) Tugboats / NCL Primary Berthing Rights

In December 2019, the Government executed an amendment to an existing berthing and operating agreement with Norwegian Cruise Lines (NCL), whereby that entity provided \$15,000,000 in exchange for primary berthing rights for NCL ships during the cruise season until December 2028. As per the amended agreement, the Government has restricted the use of the funds for the purchase of two new Azimuth Stern Drive tugboats.

At March 31, 2020, \$15,000,000 has been recorded as deferred revenue, which will be recognized over a period of time to 2028. No revenue was recognized for the 2019-20 year as there were no visits to the Island due to COVID-19. \$6,345,176 of the funds remain unspent at year end for the completion of the tugs. See also Note 19(h).

17. Morgan's Point / Caroline Bay

On March 14, 2016, the Minister of Finance provided irrevocable Guarantee Agreements to lenders, replacing a letter of comfort issued August 2013, providing certain credit facilities on behalf of Morgan's Point Limited ("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. George's Bay Limited ("GBL"), a subsidiary of MPL, entered into a number of transactions to obtain financing for the project. The financing guaranteed was provided under separate groups of loans – US\$85 million senior secured debt ("Tranche B") and US\$75 million unsecured debt ("Tranche C"), each maturing in five years with two one year options to extend.

(a) Certificate Purchase Agreements

MPL and GBL were unsuccessful in securing funding to meet the financial obligations to the lenders, resulting in defaults of those obligations. As a result of the defaults, the Tranche B lenders demanded repayment of the outstanding loans in full. In September 2019, the Government proactively exercised its rights under the Intercreditor Agreement, to purchase the lenders' rights and interests under the Tranche B Loan Agreement, at a cost of US\$88.5 million. In October 2019, the Government again proactively exercised its

17. Morgan’s Point / Caroline Bay (cont’d)

(a) Certificate Purchase Agreements (cont’d)

rights under the Intercreditor Agreement, purchasing the lenders’ rights under the Tranche C Loan Agreement at a cost of US\$80 million. The Government also purchased an aggregate 1,500 Class B Non-Voting Participating Common Shares, \$0.01 par value of GBL, pursuant to the loan and share purchase agreements between the Government and the Tranche C Lenders. In December 2019, the Government undertook to settle \$11.1 million outstanding contractors’ balances owed by GBL for work performed.

(b) Joint Provisional Liquidator

In March 2020, the Government successfully petitioned the Supreme Court to wind up GBL and appoint provisional liquidators to implement a corporate restructuring.

(c) Recognition of Asset

An independent assessment of the value of the assets in respect of its secured and unsecured claims against GBL was done. The Government has a secured claim against the assets of GBL as recourse for the Tranche B debt and an unsecured claim relating to the Tranche C debts. The Government also acquired the various outstanding contractor balances due from GBL. The loans and equity acquired in the Certificate Purchase Agreement totalled \$168,472,958, and the outstanding contractors balance acquired was \$11,051,438. The acquired loans, equity and various contractor balances would normally be considered to meet the definition of an asset, however there are a number of factors that create significant measurement uncertainty in the valuation of the amounts expected to be ultimately recovered by the Government. While it has not been concluded that the asset has nil value, as there a number of GBL tangible assets that have value, the Government deems it appropriate to provide a valuation allowance of \$168,471,958 for the asset, such that its carrying value in the financial statements is \$1,000.

The contractor balances along with legal advisory and consulting cost totalling \$14,814,279 have been added to the valuation allowance as presented on Schedules 10 (a), 10(b), 10(c) and 12.

The amount recognised as recoverable could change materially in the future, dependent on the outcome of future events, including the prospective use of the development site, future investment decisions by the Government and others, and future operations of GBL.

(d) Morgan’s Point Guarantee

There is currently no counterparty to whom the Government has any obligation under the guarantee, as the Government acquired the loans for which it acts as guarantor. Although owned by the Government, the Tranche B and Tranche C debts still exist and have the potential to be disposed of at a future date. As a result, the Government’s guarantee has not been formally extinguished. See also Note 19(d).

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18. Impact of COVID-19

The World Health Organization (WHO) declared the COVID-19 outbreak a global pandemic on March 11, 2020, and the Government declared a state of emergency on April 1, 2020, to control, prevent or suppress COVID-19. The Government COVID-19 response included closing businesses, organisations, imposing curfews, travel restrictions, entry screenings, and monitoring of air passengers.

The COVID-19 spend for the 2019/20 fiscal year was relatively low. The spending totalled approximately \$3 million and mostly included emergency supplies, testing and lab expenses. See also Note 19(i).

19. Subsequent Events

(a) Bank Overdraft

In September 2020, the Government renewed its two overdraft facility agreements at BNTB, of \$2 million and \$500,000, with expiry on June 30, 2021. The daily charge applied to overdrawn balances remains unchanged at 1% per annum above BNTB's base rate.

(b) BCGC Overdraft Facility

On May 14, 2020, the Minister of Finance consented to a \$700,000 increase in the BCGC's existing overdraft facility with BNTB to \$3.4 million, with expiry on February 28, 2021. The Ministry of Finance guaranteed to make good any default on the part of BCGC in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by BCGC until all indebtedness to BNTB has been fully discharged.

(c) BTA Credit Facility

On May 18, 2020, the Minister of Finance consented to the \$2 million increase in borrowing on an existing BNTB credit facility by the BTA. The maximum principal amount of the 5 year 4.75% fixed interest rate loan is \$9,666,667. The Ministry of Finance guaranteed to make good any default on the part of BTA in the payment of the loan to BNTB and all related interest fees and charges due as a result of default by BTA until all indebtedness to BNTB has been fully discharged.

(d) Caroline Bay/ Morgan's Point

On June 19, 2020, the Government submitted a claim to GBL's provisional liquidators in the amount of \$217.5 million. Subsequent to the filing of the claim, the Government paid \$12.2 million for joint provisional liquidator, consulting, advisory and legal services. In addition, Government also paid out interest on the facility used to pay the Caroline Bay/Morgan's Point costs amounting to \$3.1 million.

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19. Subsequent Events (cont'd)

(e) Litigation Recovery

In August 2020, the Fund received \$369,195 (45%) of an \$820,000 judgement awarded from a 2018 case. The anticipated receipt of the \$369,195 is reflected in Accounts Receivable in the Statement of Financial Position as at March 31, 2020.

(f) Debt

In August 2020, the Government raised \$1.35 billion with the issuance of a \$675 million 2.375% Note due 2030 and a \$675 million 3.375% Note due 2050. With the proceeds, the following short term borrowings were paid off: a \$200M combined loan facility with HSBC and BNTB, a \$150M combined loan facility with HSBC and Clarien, and a \$55 million overdraft facility with Clarien. In addition, principal payments were made on the following outstanding Senior Notes: \$121,095,000 on the \$475 million 4.138% Note due 2023, \$147,797,000 on the \$750 million 4.854% Note due 2024, \$60,376,000 on the \$665 million 3.717% Note due 2027, and \$170,732,000 on the \$620 million 4.750% Note due 2029. The remainder has been deposited in the Sinking Fund to be used to fund anticipated deficits for the current fiscal year 2020/21 and the next two years.

(g) Hotel Concessions

ii. Rosewood Tucker's Point

In August 2020, with an operative date of August 7, 2020, the Tourism Investment (Rosewood Bermuda) Order 2020 was approved. The Hotels Concession (Tucker's Point Hotel and Resort) Order 2016 was simultaneously repealed. The total estimated relief resulting from this order has not been determined.

iii. St. George's Club

In August 2020, with an operative date of August 7, 2020, the Tourism Investment (St. George's Club) Order 2020 was approved. The total estimated relief resulting from this order has not been determined.

(h) Tugboats

The two new tugboats arrived in Bermuda on September 26, 2020 and were officially handed over to the Government on October 16, 2020. As of that date, \$484,817 remained unspent of the initial \$15 million, for additional tugboat parts and for staff training with estimated completion in early 2021.

19. Subsequent Events (cont'd)

(i) Impact of COVID-19

Subsequent to year end, the measures and other responses to COVID-19 put into place by the Government significantly affected the local economy, individuals, businesses and organisations. The evolving nature of the public health situation required the Government to act quickly to address the challenges. COVID-19 related expenditure support totalled approximately \$26.2 million through to October 2020. This expenditure is included in the \$108.9 million in supplemental operating grants approved to be provided to Government departments and entities. Responses to COVID-19 include the following:

i. Contingencies Fund

The Minister of Finance authorized a supplementary estimate of \$2.8 million on April 1, 2020 to replace the sum advanced from the Contingencies Fund by the Minister of Health to process urgent procurement in relation to pandemic management by the Government.

ii. BEDC COVID-19 Relief

In April 2020, the Government announced it would provide the BEDC with a grant of \$12 million to fund their COVID-19 Business Sustainability & Continuity Funding Programme. The programme will provide relief in response to the significant impact of COVID-19 on Bermuda's small and medium-sized businesses.

iii. BAA / Skyport Minimum Revenue Guarantees

Subsequent to year end, Skyport reported a shortfall in the second quarter 2020 Senior Debt payment and as a result the Minimum Revenue Guarantee provisions of the Airport Project Agreement were triggered requiring a payment from BAA (Note 14(b)(ix)). On July 14, 2020, the BAA paid \$5.77 million to Skyport by way of a supplemental operating grant from the Fund. On October 21, 2020, the BAA paid a further \$15.23 million to Skyport by way of a supplemental operating grant from the Fund.

19. Subsequent Events (cont'd)

(i) Impact of COVID-19 (cont'd)

iv. Temporary Suspension of Pension Contributions

In June 2020, the Government enacted the Contributory Pension Temporary Amendment Act 2020 to allow for a one year suspension of contributions paid by employers, with the agreement of the employee and an optional one year suspension of the employee's contributions. The suspension period runs from July 1, 2020 to June 30, 2021.

In July 2020, the Government enacted the Public Service Superannuation Temporary Amendment Act 2020 and the Ministers and Members of the Legislature (Salaries and Pensions) Amendment Act 2020, to allow for a one year suspension of the Government's contributions and an optional one year suspension of a contributor's contributions. For the MMLPF, the suspension period runs from July 1, 2020 to June 30, 2021. For the PSSF, the suspension period runs from August 1, 2020 to July 31, 2021 for most members with the exception of teachers, whose suspension period will run from September 1, 2020 to August 31, 2021. The possibility that all employees would opt not to contribute during the one year suspension period was taken into consideration by the actuaries when preparing the accounting schedules for the future pension obligations.

v. Limit on the Public Debt

A further amendment to the Government Loans Act 1978 was approved in August 2020 to raise the debt ceiling by a further \$600 million to \$3.50 billion.

vi. Unemployment Insurance Fund

On September 17, 2020, the Government enacted the Public Treasury (Administration and Payments) (Supplemental Unemployment Benefit) Regulations 2020 to provide temporary relief to individuals who remained unemployed as a result of COVID-19. The supplemental unemployment benefit will be for a maximum period of six months from the date the application is approved with the final payment to be made in March 2021.

In August 2020, the Minister of Finance approved a supplementary estimate for a grant of \$60 million to the Insurance Fund to facilitate the payments of the temporary and supplemental unemployment benefits. Through November 2020, \$57.6 million has been paid out in unemployment benefits and supplemental unemployment benefits.

19. Subsequent Events (cont'd)

(j) Loan Agreements and Westend Properties Employees

As a result of the COVID-19 pandemic the Fairmont Southampton hotel in Bermuda, owned and operated by Westend Properties Limited (“Westend”), suffered financial difficulties and consequently ceased trading. Most employees were terminated by reason of redundancy pursuant to section 30 of the Employment Act 2000. Westend was unable to make the redundancy payments and in November 2020, the Government entered into loan agreements with most of the former employees of Westend to advance them loan amounts equal to the total severance payments due from Westend. Through December 4, 2020, Government had advanced \$10.4 million to the former employees of the Westend.

20. Prior Period Restatement

WEDCO / Moresby House

Certain 2019 comparative figures have been changed as a result of the application of prior period adjustments to the 2019 audited financial statements. Prior period adjustments are made when errors impacting previously reported financial years are discovered in the current reporting year.

On August 30, 2016, the Government of Bermuda approved a grant of \$3 million to WEDCO for the redevelopment and refurbishment of Moresby House, located at 26 Pender Road, Sandys, Bermuda. Although initially provided by way of a grant to expedite the refurbishment works, WEDCO was required to repay the Government in full, with specific terms and conditions to be agreed.

In April 2018, WEDCO entered into a lease agreement with the Government, wherein WEDCO would lease Watford House, located at 35 Malabar Road, Sandys, Bermuda, to the Government for 21 years, commencing May 1, 2018 and expiring on April 29, 2039. The rent amount under the terms of lease is \$nil. At the end of the lease period, the amount owed to the Government is deemed to be zero.

The March 2019 opening accumulated deficit and Due from Government Fund and Agencies accounts have been restated for the effect of the reverse grant of \$3 million dollars. The balance remaining at March 31, 2020 is \$2,714,286 (2019 - \$2,857,143).

Government of Bermuda – Consolidated Fund
Notes to the Financial Statements
March 31, 2020

20. Prior Period Restatement (cont'd)

WEDCO / Moresby House (cont'd)

Condensed Statement of Financial Position as at March 31, 2019:

	Previously Reported \$	Correction of Errors \$	Restated Balance \$
Financial Assets			
Due from Government Fund and Agencies	76,074,558	3,000,000	79,074,558
Total Financial Assets	308,374,525	3,000,000	311,374,525
Net Debt	3,903,865,119	(3,000,000)	3,900,865,119
Accumulated Deficit	3,197,133,673	(3,000,000)	3,194,133,673

Condensed Statement of Operations and Accumulated Deficit as at March 31, 2019:

	Previously Reported \$	Correction of Errors \$	Restated Balance \$
Accumulated Deficit, Beginning of Year	(3,073,813,803)	3,000,000	(3,070,813,803)
Accumulated Deficit, End of Year	(3,197,133,673)	3,000,000	(3,194,133,673)

Condensed Statement of Changes in Net Debt for the year ended March 31, 2019:

	Previously Reported \$	Correction of Errors \$	Restated Balance \$
Net Debt, Beginning of Year	(3,801,844,607)	3,000,000	(3,798,844,607)
Net Debt, End of Year	(3,903,865,119)	3,000,000	(3,900,865,119)

The restatement above has no impact on the Statement of Cash Flow for the year ended March 31, 2019.

21. Comparative Figures

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

Government of Bermuda - Consolidated Fund
Schedule 1: Accounts Receivable
As at March 31

	2020	2019
	Actual	Actual
	\$	\$
Office of the Tax Commissioner	300,134,782	272,673,892
Works & Engineering	14,916,440	14,576,944
Registrar of Companies	11,577,375	10,300,071
Judicial Department	4,920,940	4,472,760
Customs	4,868,522	7,465,329
Accountant General	2,965,657	3,499,741
Airport Operations	2,923,515	2,926,175
Post Office	2,889,182	2,732,196
Public Lands & Buildings	2,826,192	2,900,148
Department of Health	1,853,636	1,642,679
Department of Education	1,460,377	1,512,111
Environment & Natural Resources	1,327,926	1,314,566
Ministry of Tourism & Transport HQ	1,112,204	724,232
Ministry of Public Works HQ	882,675	2,181,289
Marine & Ports	511,102	699,434
Financial Assistance	497,176	407,706
Public Transportation	413,218	569,899
Other Departments	401,765	688,195
Ministry of Health HQ	226,077	226,077
Energy	195,880	195,880
Police	180,010	218,585
Immigration	163,725	173,575
Defence	129,066	129,066
Office of the Auditor General	129,000	129,000
Department of Human Resources	87,553	92,553
Registry General	12,614	17,678
Ministry of Finance HQ	-	99,960
	357,606,609	332,569,741
Less: Provision for Doubtful Accounts	158,382,071	137,008,703
	199,224,538	195,561,038

Government of Bermuda - Consolidated Fund
Schedule 2: Inventories for Consumption
As at March 31

	2020	2019
	Actual	Actual
	\$	\$
Public Transportation	4,318,403	4,519,042
Works & Engineering	4,116,545	3,691,450
Marine & Ports	2,665,988	2,506,591
Ministry of Public Works HQ	1,543,716	2,337,943
Police	1,150,685	990,785
Department of Education	561,939	764,887
Department of Corrections	359,346	394,216
Post Office	95,849	81,922
Defence	54,459	54,459
Environmental Protection	32,749	39,808
Immigration	31,940	35,115
	14,931,619	15,416,218
Less: Provision for Obsolescence	2,388,891	2,752,051
	12,542,728	12,664,167

Government of Bermuda - Consolidated Fund
Schedule 3: Due From Government Funds and Agencies
As at March 31

	2020	2019
	Actual	Restated (Note 20)
	\$	\$
Government Employees Health Insurance Fund	41,490,554	30,408,176
Regulatory Authority	10,762,628	5,988,907
Bermuda Civil Aviation Authority	7,316,196	22,916,158
West End Development Corporation	5,167,786	4,053,759
Contributory Pension Fund	4,979,078	-
Bermuda Hospitals Board	4,666,064	4,686,545
Bermuda Casino Gaming Commission	2,110,258	2,115,264
Public Service Superannuation Fund (Note 9(b))	2,081,442	1,614,799
Bermuda Monetary Authority	2,007,993	1,671,866
Confiscated Assets Fund	1,276,363	1,187,347
Bermuda Shipping and Maritime Authority (Note 14(b)(x))	1,113,022	1,612,978
Bermuda Land Development Company	859,456	916,970
Golf Courses	687,162	417,028
Bermuda College	583,844	681,537
CedarBridge Academy	420,477	130,306
Bermuda Housing Corporation	372,824	90,684
National Sports Centre	169,314	20,935
Pembroke Parish Council	107,997	104,377
Bermuda Tourism Authority	90,192	80,370
Financial Intelligence Agency	44,567	57,115
Whitney Institute	44,423	19,164
Bermuda Business Development Agency	36,267	-
Unemployment Insurance Fund (Note 7)	35,760	-
Berkeley Institute	32,996	29,275
Bermuda Airport Authority	29,126	-
Government Reserves Fund	19,881	1
Bermuda Economic Development Corporation	19,363	13,474
Bermuda Health Council	14,214	11,910
Pension Commission	13,496	13,064
St. George's Preparatory School	6,439	1,464
Bermuda Sport Anti-Doping Agency	4,422	4,764
Sandys Secondary Middle School	3,850	4,135
Bermuda Housing Trust	850	1,622
Bermuda Deposit Insurance Corporation	696	222
Corporation of Hamilton	-	102,178
Parish Councils	-	75,033
Corporation of St. George's	-	43,131
	86,569,000	79,074,558
Less: Provision for Doubtful Accounts	(22,953,038)	-
	63,615,962	79,074,558

Government of Bermuda - Consolidated Fund
Schedule 3(a): Due to Government Funds and Agencies
As at March 31

	2020	2019
	Actual	Actual
	\$	\$
Ministers and Members of the Legislature		
Pensions Fund (Note 9(b))	11,057,460	11,406,721
Bermuda Housing Corporation	720,114	979,379
West End Development Corporation	469,236	6,981
Bermuda Hospitals Board	121,988	182,100
Corporation of Hamilton	70,286	-
Bermuda Land Development Company	5,142	5,142
Corporation of St. George's	4,529	-
Bermuda Economic Development Corporation	3,800	3,800
Bermuda College	1,672	1,672
Parish Councils	126	-
Contributory Pension Fund	-	174,510
Bermuda Airport Authority	-	45,390
Unemployment Insurance Fund (Note 7)	-	120
	12,454,353	12,805,815

Government of Bermuda - Consolidated Fund
Schedule 4: Long-Term Receivables
As at March 31

	2020	2019
	Actual	Actual
	\$	\$
Student Loans and Teacher Training Awards	494,778	426,307
Customs Duty	56,464	34,860
	551,242	461,167

Government of Bermuda - Consolidated Fund
Schedule 5: Accounts Payable and Accrued Liabilities
As at March 31

	2020	2019
	Actual	Actual
	\$	\$
Trade Accounts Payable	48,251,308	39,400,802
Deposits Held	36,737,656	38,658,039
Base Lands Clean Up (Note 10(c))	23,743,465	23,743,465
Employees' Leave Entitlements	22,575,209	20,417,662
Interest on Debt	20,350,859	24,907,604
Teachers' Salaries & Leave Entitlements	8,933,505	8,885,745
Leases Payable	2,419,164	2,628,324
Salaries, Wages and Benefits	1,944,726	4,596,471
	164,955,892	163,238,112

Government of Bermuda - Consolidated Fund
Schedule 6: Deferred Revenue
As at March 31

	2020	2019
	Actual	Actual
	\$	\$
Ministry of Tourism & Transport HQ (Note 16)	15,000,000	-
Post Office	260,800	282,517
Public Lands & Buildings	91,116	91,116
Department of Health	73,464	188,447
Youth, Sport & Recreation	37,801	33,961
Office of the Tax Commissioner	5,000	5,000
Accountant General	836	836
Department of Education	-	1,230
	15,469,017	603,107

Government of Bermuda - Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund
As at March 31

	2020	2019
	Actual	Actual
	\$	\$
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
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
BNTB / HSBC Loan Due Sept 2020 - US\$		
Issue Date: September 17, 2019		
Interest: 5.603% payable monthly		
Last business day of the month		
Loan Due: September 17, 2020	187,360,979	-
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 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

Government of Bermuda - Consolidated Fund
Schedule 7: Interest Bearing Debt - Net of Sinking Fund (cont'd)
As at March 31

	2020	2019
	Actual	Actual
	\$	\$
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	550,000,000	550,000,000
Senior Notes Due 2027 - US\$		
Issue Date: October 19, 2016		
Interest: 3.717% payable semi-annually January 25 and July 25		
Notes Due: January 25, 2027	665,000,000	665,000,000
Senior Notes Due 2029 - US\$		
Issue Date: November 15, 2018		
Interest: 4.750% payable semi-annually February 15 and August 15		
Notes Due: February 15, 2029	620,000,000	620,000,000
	2,687,360,979	2,680,000,000
Less: Sinking Fund (Note 5)	41,330,865	218,912,830
	2,646,030,114	2,461,087,170

Government of Bermuda - Consolidated Fund
Schedule 8: Revenue By Type
For the year ended March 31

	2020 Original Estimates	2020 Actual	2019 Actual
	\$	\$	\$
Taxes & Duties			
Payroll Tax	466,100,000	465,018,186	467,485,520
Customs Duty	235,000,000	221,897,400	226,054,830
Land Tax	85,375,000	84,498,029	79,744,831
Passenger Tax	32,300,000	31,907,237	24,095,802
	818,775,000	803,320,852	797,380,983
Other Taxes & Duties			
Foreign Currency Purchase Tax	26,164,000	25,695,795	21,936,536
Stamp Duty	29,000,000	19,580,069	25,697,446
Financial Services Tax	12,250,000	12,369,086	8,973,389
Hotel Occupancy Tax	12,000,000	8,960,640	9,192,973
Corporate Services Tax	5,270,000	5,438,986	5,421,390
Non-Bermudian Land Acquisition Tax	5,500,000	3,149,274	2,782,678
Timesharing Tax	20,000	80,023	31,986
Betting Tax	800,000	79,971	127,509
	91,004,000	75,353,844	74,163,907
Total Taxes & Duties	909,779,000	878,674,696	871,544,890
Fees, Permits & Licences			
International Companies	66,655,000	65,155,478	64,443,960
Vehicle Licences & Registration	30,984,000	29,783,812	31,000,544
Civil Aviation (Note 14(b)(xi))	16,000,000	21,146,954	19,648,983
Telecommunications	17,685,000	17,526,816	17,877,633
Immigration	16,300,000	16,294,174	16,820,378
Bus Transportation	7,351,000	5,478,682	6,338,907
Solid Waste Services	5,473,000	5,003,588	5,372,528
Postal Services	4,735,000	3,439,197	3,681,096
Services to Seaborne Shipping	3,074,000	3,150,191	3,382,782
Water	3,692,000	3,002,372	3,576,637
Local Companies	2,750,000	2,279,269	2,804,928
Other Customs Fees & Charges	2,000,000	2,085,138	1,974,769
Rentals	2,104,000	1,918,400	2,366,541
Trade and Service Marks	1,860,000	1,617,526	1,707,331
Planning Fees and Searches	1,110,000	1,157,965	1,303,103
Ferry Services	1,237,000	1,054,517	1,080,379
Wharfage	806,000	853,091	835,575
Companies Licences	820,000	764,507	756,318
Liquor Licences	526,000	673,256	585,612
Plant Production and Marketing Centre	189,000	207,678	229,467
Capital Cost Recovery Charge	-	-	2,433,662
	185,351,000	182,592,611	188,221,133
Other Revenue			
Other	19,178,000	19,452,077	31,300,304
Fines & Forfeitures	2,647,000	3,152,574	2,848,889
	21,825,000	22,604,651	34,149,193
Investment Income	1,500,000	2,479,233	6,564,584
	23,325,000	25,083,884	40,713,777
TOTAL REVENUE	1,118,455,000	1,086,351,191	1,100,479,800

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department
For the year ended March 31

	2020 Original Estimates	2020 Actual	2019 Actual
	\$	\$	\$
Non-Ministry Departments			
05 Office of the Auditor General	1,060,000	665,252	1,069,169
63 Parliamentary Registrar	350,000	283,393	370,735
02 Legislature	-	1,104	-
	1,410,000	949,749	1,439,904
Cabinet Office Departments			
13 Post Office	4,645,000	3,428,364	3,650,181
09 Cabinet Office	-	217,552	2,880
14 Department of Statistics	-	-	1,364
67 Department of Information & Communication Technology	-	-	876,260
	4,645,000	3,645,916	4,530,685
Ministry of Tourism & Transport			
34 Transport Control Department	30,988,000	29,793,132	31,072,515
48 Ministry of Tourism & Transport HQ	16,653,000	22,183,582	49,815,168
30 Marine & Ports	5,766,000	5,586,313	5,817,328
35 Public Transportation	7,400,000	5,510,086	6,371,604
31 Airport Operations	-	-	1,326,332
	60,807,000	63,073,113	94,402,947
Ministry of Legal Affairs			
03 Judicial Department	10,211,000	5,471,407	4,814,715
23 Child and Family Services	192,000	154,330	161,140
87 Ministry of Legal Affairs HQ	-	50,737	136,823
04 Attorney General's Chambers	-	9,052	79
	10,403,000	5,685,526	5,112,757
Ministry of Finance			
38 Office of the Tax Commissioner	662,460,000	652,213,557	641,546,354
12 Customs	239,193,000	226,233,264	230,292,047
39 Registrar of Companies	70,621,000	70,073,231	68,816,858
11 Accountant General	1,500,000	2,850,071	7,299,716
10 Ministry of Finance HQ	400,000	-	549,097
28 Social Insurance	-	-	200
	974,174,000	951,370,123	948,504,272
Ministry of Education			
17 Department of Education	230,000	173,390	157,866
18 Libraries & Archives	13,000	13,947	11,817
16 Ministry of Education HQ	-	-	73,089
	243,000	187,337	242,772
Ministry of Health			
22 Department of Health	3,610,000	3,646,013	3,184,623
21 Ministry of Health HQ	140,000	73,575	252,195
	3,750,000	3,719,588	3,436,818

Government of Bermuda - Consolidated Fund
Schedule 9: Revenue By Ministry / Department (cont'd)
For the year ended March 31

	2020 Original Estimates	2020 Actual	2019 Actual
	\$	\$	\$
Ministry of Economic Development & Tourism			
95 Ministry of Economic Development & Tourism HQ	-	-	670,892
	-	-	670,892
Ministry of Labour, Community Affairs & Sports			
20 Youth, Sport & Recreation	597,000	587,532	636,916
60 Workforce Development	28,000	4,870	13,965
52 Community & Cultural Affairs	4,000	625	4,313
71 Ministry of Labour, Community Affairs & Sports HQ	-	-	118
	629,000	593,027	655,312
Ministry of National Security			
27 Immigration	21,835,000	19,449,449	19,697,297
07 Police	677,000	742,994	1,066,716
45 Fire Services	257,000	346,045	346,038
06 Defence	-	-	3,831
	22,769,000	20,538,488	21,113,882
Ministry of Home Affairs			
89 Energy	17,885,000	17,837,221	197,545
29 Registry General	2,116,000	1,882,792	1,957,104
79 Environment & Natural Resources	1,493,000	1,548,699	1,424,674
32 Department of Planning	1,360,000	1,495,999	1,552,668
93 Ministry of Home Affairs HQ	5,000	13,990	86,000
	22,859,000	22,778,701	5,217,991
Ministry of Public Works			
82 Works & Engineering	14,225,000	11,586,748	12,581,320
81 Public Lands & Buildings	1,801,000	1,596,743	2,052,115
97 Land Title & Registration	625,000	470,498	342,995
68 Parks	104,000	115,499	151,560
36 Ministry of Public Works HQ	5,000	40,135	23,578
49 Land Valuation	6,000	-	-
	16,766,000	13,809,623	15,151,568
TOTAL REVENUE	1,118,455,000	1,086,351,191	1,100,479,800

Government of Bermuda - Consolidated Fund
Schedule 9(a): Interdepartmental Revenue By Ministry / Department
For the year ended March 31

	2020 Interdepartmental Revenue	2020 Gross Revenue Actual	2020 Net Revenue
	\$	\$	\$
Non-Ministry Departments			
05 Office of the Auditor General	-	665,252.00	665,252.00
63 Parliamentary Registrar	869	283,393.00	282,524.00
02 Legislature	-	1,104.00	1,104.00
	869	949,749.00	948,880.00
Cabinet Office Departments			
13 Post Office	47,273	3,428,364.00	3,381,091.00
09 Cabinet Office	-	217,552.00	217,552.00
	47,273	3,645,916.00	3,598,643.00
Ministry of Tourism & Transport			
34 Transport Control Department	-	29,793,132.00	29,793,132.00
48 Ministry of Tourism & Transport HQ	-	22,183,582.00	22,183,582.00
30 Marine & Ports	348	5,586,313.00	5,585,965.00
35 Public Transportation	186,400	5,510,086.00	5,323,686.00
	186,748	63,073,113.00	62,886,366.00
Ministry of Legal Affairs			
03 Judicial Department	-	5,471,407.00	5,471,407.00
23 Child and Family Services	800	154,330.00	153,530.00
87 Ministry of Legal Affairs HQ	-	50,737.00	50,737.00
04 Attorney General's Chambers	-	9,052.00	9,052.00
	800	5,685,526.00	5,684,726.00
Ministry of Finance			
38 Office of the Tax Commissioner	-	652,213,557.00	652,213,557.00
12 Customs	1,992,549	226,233,264.00	224,240,715.00
39 Registrar of Companies	-	70,073,231.00	70,073,231.00
11 Accountant General	-	2,850,071.00	2,850,071.00
	1,992,549	951,370,123.00	949,377,574.00
Ministry of Education			
17 Department of Education	375	173,390.00	173,015.00
18 Libraries & Archives	-	13,947.00	13,947.00
	375	187,337.00	186,962.00
Ministry of Health			
22 Department of Health	230	3,646,013.00	3,645,783.00
21 Ministry of Health HQ	1,540	73,575.00	72,035.00
	1,770	3,719,588.00	3,717,818.00

Government of Bermuda - Consolidated Fund
Schedule 9(a): Interdepartmental Revenue By Ministry / Department (cont'd)
For the year ended March 31

	2020 Interdepartmental Revenue	2020 Gross Revenue Actual	2020 Net Revenue
	\$	\$	\$
Ministry of Labour, Community Affairs & Sports			
20 Youth, Sport & Recreation	8,835	587,532	578,697
60 Workforce Development	-	4,870	4,870
52 Community & Cultural Affairs	-	625	625
	8,835	593,027	584,192
Ministry of National Security			
27 Immigration	5,000	19,449,449	19,444,449
07 Police	72,569	742,994	670,425
45 Fire Services	-	346,045	346,045
	77,569	20,538,488	20,460,919
Ministry of Home Affairs			
89 Energy	-	17,837,221	17,837,221
29 Registry General	7,160	1,882,792	1,875,632
79 Environment & Natural Resources	4,233	1,548,699	1,544,466
32 Department of Planning	6,130	1,495,999	1,489,869
93 Ministry of Home Affairs HQ	-	13,990	13,990
	17,523	22,778,701	22,761,178
Ministry of Public Works			
82 Works & Engineering	548,895	11,586,748	11,037,853
81 Public Lands & Buildings	159,274	1,596,743	1,437,469
97 Land Title & Registration	-	470,498	470,498
68 Parks	-	115,499	115,499
36 Ministry of Public Works HQ	-	40,135	40,135
	708,169	13,809,623	13,101,454
TOTAL REVENUE	3,042,480	1,086,351,191	1,083,308,712

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program
For the year ended March 31

	2020 Capital Development	2020 Capital Acquisition	2020 Current Expenses	2020 Total Actual	2019 Total Actual (Note 21)
	\$	\$	\$	\$	\$
Economic Development					
10 Ministry of Finance HQ	500,000	166,853	176,291,495	176,958,348	6,581,556
11 Accountant General	-	172,936	105,076,947	105,249,883	84,578,929
82 Works & Engineering	12,317,748	29,214	57,386,704	69,733,666	63,072,478
48 Ministry of Tourism & Transport HQ	2,231,751	-	44,465,255	46,697,006	18,450,056
81 Public Lands & Buildings	7,037,554	-	36,699,154	43,736,708	42,458,721
35 Public Transportation	-	140,641	24,163,534	24,304,175	23,295,733
30 Marine & Ports	-	77,340	20,830,804	20,908,144	20,625,026
58.2 Caroline Bay/Morgan's Point (Note 17)	-	-	14,814,279	14,814,279	-
13 Post Office	-	68,851	9,931,564	10,000,415	10,522,453
36 Ministry of Public Works HQ	2,139,536	30,674	7,398,161	9,568,371	7,034,813
43 Department of Information and Digital Technologies	240,300	1,413,376	7,649,782	9,303,458	9,478,075
38 Office of the Tax Commissioner	-	261,633	5,227,960	5,489,593	4,311,654
34 Transport Control Department	-	63,072	4,729,775	4,792,847	5,815,671
39 Registrar of Companies	-	2,194	4,042,431	4,044,625	2,485,708
32 Department of Planning	-	12,994	3,010,716	3,023,710	3,063,343
93 Ministry of Home Affairs HQ	-	14,241	1,983,558	1,997,799	2,319,976
29 Registry General	-	18,899	1,611,315	1,630,214	1,746,040
97 Land Title & Registration	-	-	1,231,236	1,231,236	1,300,521
Department of Information & Communication					
67 Technology	250,430	-	951,094	1,201,524	945,973
49 Land Valuation	-	663	978,481	979,144	856,839
89 Energy	-	229,246	641,038	870,284	621,072
80 Project Management & Procurement	382	-	762,244	762,626	956,929
95 Ministry of Economic Development & Tourism HQ	-	-	-	-	32,501,974
	24,717,701	2,702,827	529,877,527	557,298,055	343,023,540
Health					
24 Hospitals	4,620,000	-	153,513,293	158,133,293	147,843,892
22 Department of Health	(3,088)	(3,401)	27,794,679	27,788,190	26,852,718
21 Ministry of Health HQ	-	863	12,924,385	12,925,248	11,135,210
28 Social Insurance	-	-	4,493,981	4,493,981	4,736,142
91 Health Insurance	-	(12,657)	3,588,024	3,575,367	4,291,730
	4,616,912	(15,195)	202,314,362	206,916,079	194,859,692
National Security					
07 Police	13,182	84,027	65,335,169	65,432,378	67,837,964
25 Department of Corrections	103,253	(238,078)	28,160,700	28,025,875	24,716,125
12 Customs	-	(63,504)	18,935,642	18,872,138	18,395,687
45 Fire Services	-	1,168	14,253,809	14,254,977	15,539,440
03 Judicial Department	-	20	8,298,446	8,298,466	8,144,962
06 Defence	-	10,777	7,967,790	7,978,567	6,885,210
04 Attorney General's Chambers	-	-	5,759,236	5,759,236	5,037,299
87 Ministry of Legal Affairs HQ	-	(20,064)	5,720,608	5,700,544	5,680,272
27 Immigration	-	635,952	5,015,535	5,651,487	5,434,444
74 Department of Court Services	-	-	4,134,452	4,134,452	4,196,511
75 Department of Public Prosecutions	-	3,590	3,167,381	3,170,971	3,222,294
83 Ministry of National Security HQ	-	379,525	2,381,594	2,761,119	1,401,491
	116,435	793,413	169,130,362	170,040,210	166,491,699
Education					
17 Department of Education	805,402	476,836	115,975,348	117,257,586	116,352,147
41 Bermuda College	200,000	-	15,906,000	16,106,000	16,406,000
60 Workforce Development	-	-	3,979,913	3,979,913	3,348,121
16 Ministry of Education HQ	-	-	3,001,509	3,001,509	2,980,250
	1,005,402	476,836	138,862,770	140,345,008	139,086,518

Government of Bermuda - Consolidated Fund
Schedule 10: Expenses By Program (cont'd)
For the year ended March 31

	2020 Capital Development	2020 Capital Acquisition	2020 Current Expenses	2020 Total Actual	2019 Total Actual (Note 21)
	\$	\$	\$	\$	\$
Public Debt					
58 Interest on Debt	-	-	120,481,890	120,481,890	124,031,380
Early Tender Premium on Repurchased Debt (Note 15(b))	-	-	-	-	17,674,740
	-	-	120,481,890	120,481,890	141,706,120
Social Services & Assistance					
55 Financial Assistance	-	-	50,198,994	50,198,994	51,836,101
23 Child and Family Services	-	8,000	16,560,275	16,568,275	15,834,687
53 Bermuda Housing Corporation	5,450,000	-	6,050,000	11,500,000	11,850,000
88 National Drug Control	-	4,477	4,994,688	4,999,165	4,966,102
52 Community & Cultural Affairs Ministry of Labour, Community Affairs & Sports HQ	-	4,104	1,754,107	1,758,211	1,823,168
71	-	(188,776)	1,706,612	1,517,836	2,540,318
	5,450,000	(172,195)	81,264,676	86,542,481	88,850,376
Other General Government Services					
09 Cabinet Office	(71,591)	(7,560)	15,448,655	15,369,504	13,524,837
20 Youth, Sport & Recreation	487,000	5,640	9,631,766	10,124,406	10,792,563
68 Parks	164,117	761	9,130,032	9,294,910	10,499,232
79 Environment & Natural Resources	177,477	51,873	8,194,233	8,423,583	8,570,150
02 Legislature	135,529	-	5,350,618	5,486,147	5,358,566
05 Office of the Auditor General	-	12,024	3,543,722	3,555,746	3,712,758
26 Department of Human Resources	-	6,850	3,388,324	3,395,174	3,447,304
51 Department of Communications	-	34,513	3,350,462	3,384,975	3,322,901
18 Libraries & Archives	-	5,259	2,964,765	2,970,024	2,999,674
14 Department of Statistics	-	5,475	2,150,961	2,156,436	2,022,133
01 Governor & Staff	334,888	-	1,332,878	1,667,766	1,641,667
Department of Employee & Organizational Development	-	-	1,574,702	1,574,702	-
92 Internal Audit	-	(42,153)	1,328,898	1,286,745	1,402,061
56 Human Rights Commission	-	-	1,188,419	1,188,419	1,269,998
85 Ombudsman's Office	-	-	1,066,266	1,066,266	924,616
98 Information Commissioner's Office	-	(47,452)	1,006,016	958,564	953,410
63 Parliamentary Registrar	-	19,819	808,154	827,973	839,812
101 Privacy Commissioner's Office	(8,070)	-	96,696	88,626	52,803
	1,219,350	45,049	71,555,567	72,819,966	71,334,485
Pensions and Other Employee Future Benefits					
Pensions and Retirement Benefits					
11a Expense	-	-	78,070,547	78,070,547	78,447,240
	-	-	78,070,547	78,070,547	78,447,240
TOTAL EXPENSES	37,125,800	3,830,735	1,391,557,701	1,432,514,236	1,223,799,670

Government of Bermuda - Consolidated Fund
Schedule 10(a): Current Expenses By Type
For the year ended March 31

	2020 Original Estimates ¹	2020 Actual	2019 (Note 18)
	\$	\$	\$
Employees			
Salaries	310,639,000	312,531,914	306,055,895
Employer Overhead	79,406,000	81,370,588	78,060,641
Wages	69,374,000	78,903,918	79,658,637
Pensions and Retirement Benefits Expense	-	76,687,437	77,201,342
Other Personnel Costs	5,643,000	5,283,991	5,778,779
Training	3,594,000	2,315,853	2,045,909
Compensated Absences	-	1,383,110	1,245,898
	468,656,000	558,476,811	550,047,101
Operations			
Grants & Contributions	314,435,000	323,966,010	319,154,716
Morgan's Point / Caroline Bay Valuation Allowance (Note 17)	-	183,286,237	-
Interest on Debt	116,550,000	120,488,883	124,031,380
Amortization (Note 4(b)(v))	-	52,239,447	46,374,487
Professional Services	44,006,000	41,731,181	43,959,234
Bad Debt Expense (Recoveries) (Note 14(c))	-	27,012,231	(473,396)
Materials & Supplies	23,415,000	17,066,112	18,245,243
Repairs & Maintenance	19,781,000	16,184,111	16,533,934
Energy	16,510,000	13,803,091	14,592,129
Rentals	11,977,000	10,730,974	11,469,939
Insurance	8,907,000	7,402,669	6,795,923
Communications	7,201,000	6,421,537	6,561,951
Other	3,069,000	3,226,626	2,981,660
Travel	3,408,000	2,982,013	2,125,896
Transport	4,348,000	2,371,925	2,185,135
Bank Charges & Commissions	-	1,610,574	2,098,812
Advertising & Promotion	2,395,000	1,252,564	1,380,774
Clothing & Uniforms	1,098,000	912,825	1,362,743
Equipment	605,000	247,829	710
Loss on Disposal of Tangible Capital Assets	-	144,051	350,911
Early Tender Premium on Repurchased Debt (Note 15(b))	-	-	17,674,740
	577,705,000	833,080,890	637,406,921
TOTAL CURRENT EXPENSES	1,046,361,000	1,391,557,701	1,187,454,022

Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department
For the year ended March 31

	2020 Original Estimates	2020 Actual	2019 Actual (Note 21)
	\$	\$	\$
Non-Ministry Departments			
02 Legislature	5,651,000	5,350,618	5,356,313
05 Office of the Auditor General	4,082,000	3,543,722	3,712,758
01 Governor & Staff	1,395,000	1,332,878	1,329,893
92 Internal Audit	1,426,000	1,328,898	1,387,061
56 Human Rights Commission	1,269,000	1,188,419	1,256,638
85 Ombudsman's Office	1,079,000	1,066,266	921,131
98 Information Commissioner's Office	957,000	1,006,016	953,410
63 Parliamentary Registrar	1,571,000	808,154	839,812
101 Privacy Commissioner's Office	567,000	96,696	52,803
	17,997,000	15,721,667	15,809,819
Cabinet Office Departments			
09 Cabinet Office	15,334,000	15,448,655	13,407,425
13 Post Office	10,502,000	9,931,564	10,533,563
43 Department of Information and Digital Technologies	6,627,000	7,649,782	7,854,268
26 Department of Human Resources	3,813,000	3,388,324	3,448,209
51 Department of Communications	3,150,000	3,350,462	3,297,367
14 Department of Statistics	2,493,000	2,150,961	2,022,133
61 Department of Employee & Organizational Development	1,672,000	1,574,702	-
67 Department of Information & Communication Technology	1,475,000	951,094	941,931
80 Project Management & Procurement	930,000	762,244	956,547
	45,996,000	45,207,788	42,461,443
Ministry of Tourism & Transport			
48 Ministry of Tourism & Transport HQ	39,475,000	44,465,255	15,941,076
35 Public Transportation	22,368,000	24,163,534	22,906,134
30 Marine & Ports	21,278,000	20,830,804	20,503,156
34 Transport Control Department	5,375,000	4,729,775	5,815,671
	88,496,000	94,189,368	65,166,037
Ministry of Legal Affairs			
23 Child and Family Services	15,915,000	16,560,275	15,798,474
03 Judicial Department	8,723,000	8,298,446	8,144,622
04 Attorney General's Chambers	5,308,000	5,759,236	5,034,993
87 Ministry of Legal Affairs HQ	6,627,000	5,720,608	5,663,407
88 National Drug Control	4,511,000	4,994,688	4,951,169
74 Department of Court Services	4,658,000	4,134,452	4,196,511
75 Department of Public Prosecutions	3,329,000	3,167,381	3,222,294
	49,071,000	48,635,086	47,011,470
Ministry of Finance			
10 Ministry of Finance HQ	5,895,000	176,291,495	5,952,886
58 Interest on Debt	116,500,000	120,481,890	124,031,380
11 Accountant General	86,153,000	105,076,947	84,681,805
11a Pensions and Retirement Benefits Expense	-	78,070,547	78,447,240
58.2 Caroline Bay/Morgan's Point (Note 17)	-	14,814,279	-
38 Office of the Tax Commissioner	3,761,000	5,227,960	4,294,146
28 Social Insurance	4,825,000	4,493,981	4,736,142
39 Registrar of Companies	3,709,000	4,042,431	2,514,097
58.1 Early Tender Premium on Repurchased Debt (Note 15(b))	-	-	17,674,740
	220,843,000	508,499,530	322,332,436
Ministry of Education			
17 Department of Education	114,243,000	115,975,348	115,114,217
41 Bermuda College	15,906,000	15,906,000	15,906,000
16 Ministry of Education HQ	3,579,000	3,001,509	2,980,250
18 Libraries & Archives	3,222,000	2,964,765	2,990,229
	136,950,000	137,847,622	136,990,696
Ministry of Health			
24 Hospitals	145,674,000	153,513,293	147,723,892
55 Financial Assistance	51,484,000	50,198,994	51,824,665
22 Department of Health	28,817,000	27,794,679	26,850,589
21 Ministry of Health HQ	11,649,000	12,924,385	11,139,354
91 Health Insurance	3,930,000	3,588,024	4,291,730
	241,554,000	248,019,375	241,830,230

Government of Bermuda - Consolidated Fund
Schedule 10(b): Current Expenses By Ministry / Department (cont'd)
For the year ended March 31

	2020 Original Estimates \$	2020 Actual \$	2019 Actual (Note 21) \$
Ministry of Economic Development & Tourism			
95 Ministry of Economic Development & Tourism HQ	-	-	32,501,974
	-	-	32,501,974
Ministry of Labour, Community Affairs & Sports			
20 Youth, Sport & Recreation	10,109,000	9,631,766	9,726,930
60 Workforce Development	4,296,000	3,979,913	3,336,839
52 Community & Cultural Affairs	2,242,000	1,754,107	1,821,573
71 Ministry of Labour, Community Affairs & Sports HQ	2,218,000	1,706,612	2,540,318
	18,865,000	17,072,398	17,425,660
Ministry of National Security			
07 Police	65,802,000	65,335,169	67,807,557
25 Department of Corrections	25,082,000	28,160,700	24,793,001
12 Customs	16,945,000	18,935,642	18,373,817
45 Fire Services	13,127,000	14,253,809	15,487,038
06 Defence	7,209,000	7,967,790	6,808,784
27 Immigration	4,754,000	5,015,535	5,433,854
83 Ministry of National Security HQ	2,060,000	2,381,594	1,401,491
	134,979,000	142,050,239	140,105,542
Ministry of Home Affairs			
79 Environment & Natural Resources	8,352,000	8,194,233	8,304,939
32 Department of Planning	3,376,000	3,010,716	2,909,467
93 Ministry of Home Affairs HQ	3,723,000	1,983,558	2,320,645
29 Registry General	1,832,000	1,611,315	1,746,040
89 Energy	880,000	641,038	591,442
	18,163,000	15,440,860	15,872,533
Ministry of Public Works			
82 Works & Engineering	29,647,000	57,386,704	49,342,752
81 Public Lands & Buildings	19,472,000	36,699,154	36,986,935
68 Parks	9,644,000	9,130,032	9,352,996
36 Ministry of Public Works HQ	6,209,000	7,398,161	6,083,619
53 Bermuda Housing Corporation	6,050,000	6,050,000	6,050,000
97 Land Title & Registration	1,398,000	1,231,236	1,300,521
49 Land Valuation	1,027,000	978,481	829,359
	73,447,000	118,873,768	109,946,182
TOTAL CURRENT EXPENSES	1,046,361,000	1,391,557,701	1,187,454,022

Government of Bermuda - Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department
For the year ended March 31

	2020 Interdepartmental Expense	2020 Actual Gross Expense	2020 Net Expense
	\$	\$	\$
Non-Ministry Departments			
02 Legislature	65	5,350,618	5,350,553
05 Office of the Auditor General	130	3,543,722	3,543,592
01 Governor & Staff	2,364	1,332,878	1,330,514
92 Internal Audit	75	1,328,898	1,328,823
56 Human Rights Commission	150	1,188,419	1,188,269
85 Ombudsman's Office	2,505	1,066,266	1,063,761
98 Information Commissioner's Office	65	1,006,016	1,005,951
63 Parliamentary Registrar	110	808,154	808,044
101 Privacy Commissioner's Office	-	96,696	96,696
	5,464	15,721,667	15,716,203
Cabinet Office Departments			
09 Cabinet Office	310	15,448,655	15,448,345
13 Post Office	2,165	9,931,564	9,929,399
43 Department of Information and Digital Technologies	-	7,649,782	7,649,782
26 Department of Human Resources	-	3,388,324	3,388,324
51 Department of Communications	1,430	3,350,462	3,349,032
14 Department of Statistics	65	2,150,961	2,150,896
61 Department of Employee & Organizational Development	-	1,574,702	1,574,702
67 Department of Information & Communication Technology	455	951,094	950,639
80 Project Management & Procurement	-	762,244	762,244
	4,425	45,207,788	45,203,363
Ministry of Tourism & Transport			
48 Ministry of Tourism & Transport HQ	19,452	44,465,255	44,445,803
35 Public Transportation	859,865	24,163,534	23,303,669
30 Marine & Ports	169,053	20,830,804	20,661,751
34 Transport Control Department	21,549	4,729,775	4,708,226
	1,069,919	94,189,368	93,119,449
Ministry of Legal Affairs			
23 Child and Family Services	13,660	16,560,275	16,546,615
03 Judicial Department	708	8,298,446	8,297,738
04 Attorney General's Chambers	65	5,759,236	5,759,171
87 Ministry of Legal Affairs HQ	905	5,720,608	5,719,703
88 National Drug Control	62,083	4,994,688	4,932,605
74 Department of Court Services	6,303	4,134,452	4,128,149
75 Department of Public Prosecutions	-	3,167,381	3,167,381
	83,724	48,635,086	48,551,362
Ministry of Finance			
10 Ministry of Finance HQ	85	176,291,495	176,291,410
58 Interest on Debt	-	120,481,890	120,481,890
11 Accountant General	-	105,076,947	105,076,947
11a Pensions and Retirement Benefits Expense	-	78,070,547	78,070,547
58.2 Caroline Bay/Morgan's Point (Note 17)	-	14,814,279	14,814,279
38 Office of the Tax Commissioner	750	5,227,960	5,227,210
28 Social Insurance	-	4,493,981	4,493,981
39 Registrar of Companies	60	4,042,431	4,042,371
	895	508,499,530	508,498,635
Ministry of Education			
17 Department of Education	29,364	115,975,348	115,945,984
41 Bermuda College	-	15,906,000	15,906,000
16 Ministry of Education HQ	-	3,001,509	3,001,509
18 Libraries & Archives	-	2,964,765	2,964,765
	29,364	137,847,622	137,818,258
Ministry of Health			
24 Hospitals	-	153,513,293	153,513,293
55 Financial Assistance	-	50,198,994	50,198,994
22 Department of Health	144,334	27,794,679	27,650,345
21 Ministry of Health HQ	438	12,924,385	12,923,947
91 Health Insurance	-	3,588,024	3,588,024
	144,772	248,019,375	247,874,603

Government of Bermuda - Consolidated Fund
Schedule 10(c): Interdepartmental Current Expenses By Ministry/Department (cont'd)
For the year ended March 31

	2020 Interdepartmental Expense	2020 Actual Gross Expense	2020 Net Expense
	\$	\$	\$
Ministry of Labour, Community Affairs & Sports			
20 Youth, Sport & Recreation	142,272	9,631,766	9,489,494
60 Workforce Development	344	3,979,913	3,979,569
52 Community & Cultural Affairs	255	1,754,107	1,753,852
71 Ministry of Labour, Community Affairs & Sports HQ	289	1,706,612	1,706,323
	143,160	17,072,398	16,929,238
Ministry of National Security			
07 Police	70,719	65,335,169	65,264,450
25 Department of Corrections	278,597	28,160,700	27,882,103
12 Customs	8,439	18,935,642	18,927,203
45 Fire Services	15,715	14,253,809	14,238,094
06 Defence	3,255	7,967,790	7,964,535
27 Immigration	60	5,015,535	5,015,475
83 Ministry of National Security HQ	-	2,381,594	2,381,594
	376,785	142,050,239	141,673,454
Ministry of Home Affairs			
79 Environment & Natural Resources	9,739	8,194,233	8,184,494
32 Department of Planning	-	3,010,716	3,010,716
93 Ministry of Home Affairs HQ	96	1,983,558	1,983,462
29 Registry General	60	1,611,315	1,611,255
89 Energy	-	641,038	641,038
	9,895	15,440,860	15,430,965
Ministry of Public Works			
82 Works & Engineering	4,810	57,386,704	57,381,894
81 Public Lands & Buildings	660	36,699,154	36,698,494
68 Parks	5,331	9,130,032	9,124,701
36 Ministry of Public Works HQ	1,162,643	7,398,161	6,235,518
53 Bermuda Housing Corporation	-	6,050,000	6,050,000
97 Land Title & Registration	-	1,231,236	1,231,236
49 Land Valuation	633	978,481	977,848
	1,174,077	118,873,768	117,699,691
TOTAL CURRENT EXPENSES	3,042,480	1,391,557,701	1,388,515,221

Government of Bermuda - Consolidated Fund
Schedule 11: Schedules of Tangible Capital Assets and Assets Under Constructor
As at March 31, 2020

	Estimated Useful Life	COST				ACCUMULATED AMORTIZATION				31-Mar-20 Net Book Value	31-Mar-19 Net Book Value
		Opening Balance	Additions	Disposals & Adjustments	Closing Balance	Opening Balance	Amortization Expense	Disposals & Adjustments	Closing Balance		
		\$	\$	\$	\$	\$	\$	\$	\$		
Tangible Capital Assets											
Land	Indefinite	45,649,928	-	-	45,649,928	-	-	-	-	45,649,928	45,649,928
Buildings & Betterments	2 - 40 years	654,984,462	2,154,918	(606,463)	656,532,917	(276,381,229)	(17,506,425)	225,938	(293,661,716)	362,871,201	378,603,233
Infrastructure	10 - 40 years	257,014,226	1,435,784	(122,862)	258,327,148	(97,298,256)	(11,146,093)	(14,465)	(108,458,814)	149,868,334	159,715,970
Vehicles & Heavy Equipment	5 - 7 years	99,455,795	4,940,139	(1,646,424)	102,749,510	(88,301,018)	(4,058,675)	1,467,892	(90,891,801)	11,857,709	11,154,777
Boats & Vessels	5 - 10 years	47,463,938	303,933	(208,107)	47,559,764	(44,611,151)	(1,221,375)	16,105	(45,816,421)	1,743,343	2,852,787
Computer Software	10 years	45,885,188	2,450,003	-	48,335,191	(33,483,390)	(3,897,465)	(11,946)	(37,392,801)	10,942,390	12,401,798
Office Equipment	5 years	19,996,015	1,503,950	(131,127)	21,368,838	(15,277,004)	(1,652,970)	8,685	(16,921,289)	4,447,549	4,719,011
Computer Hardware	3 - 7 years	27,309,403	1,156,720	-	28,466,123	(23,602,847)	(2,070,642)	83	(25,673,406)	2,792,717	3,706,556
Capital Leases	3 - 20 years	8,614,955	27,720	-	8,642,675	(5,170,127)	(251,694)	-	(5,421,821)	3,220,854	3,444,828
Furniture & Fixtures	7 years	7,273,427	1,011,729	-	8,285,156	(5,484,269)	(534,242)	-	(6,018,511)	2,266,645	1,789,158
Plant, Machinery & Equipment	10 - 30 years	130,695,766	2,736,714	(146,833)	133,285,647	(85,986,547)	(9,899,866)	4,728	(95,881,685)	37,403,962	44,709,219
Total Tangible Capital Assets		1,344,343,103	17,721,610	(2,861,816)	1,359,202,897	(675,595,838)	(52,239,447)	1,697,020	(726,138,265)	633,064,632	668,747,265
Assets Under Construction		21,845,777	28,264,573	(10,742,039)	39,368,311	-	-	-	-	39,368,311	21,845,777

Government of Bermuda - Consolidated Fund
Schedule 12: Current Expenditure - Estimates Compared to Expenditures
For the year ended March 31, 2020

	Expenses	Expenditure ¹	Adjusted Estimates ²	Under (Over) Spent
	\$	\$	\$	\$
Non-Ministry Departments				
02	Legislature	5,350,618	5,290,354	360,807
05	Office of the Auditor General	3,543,722	3,526,712	555,549
01	Governor & Staff	1,332,878	1,329,279	65,755
92	Internal Audit	1,328,898	1,311,569	114,476
63	Parliamentary Registrar	808,154	797,893	773,338
56	Human Rights Commission	1,188,419	1,142,404	126,991
85	Ombudsman's Office	1,066,266	1,060,820	18,616
98	Information Commissioner's Office	1,006,016	992,358	64,735
101	Privacy Commissioner's Office	96,696	96,468	370,790
		15,721,667	15,547,857	2,451,057
Cabinet Office Departments				
13	Post Office	9,931,564	9,904,750	596,951
09	Cabinet Office	15,448,655	15,438,965	119,415
43	Department of Information and Digital Technologies	7,649,782	6,385,214	241,477
61	Department of Employee & Organizational Development	1,574,702	1,574,702	97,711
51	Department of Communications	3,350,462	3,126,411	24,009
26	Department of Human Resources	3,388,324	3,385,138	427,800
67	Department of Information & Communication Technology	951,094	949,192	301,994
14	Department of Statistics	2,150,961	2,121,841	371,258
80	Project Management & Procurement	762,244	759,444	170,572
		45,207,788	43,645,657	2,351,187
Ministry of Tourism & Transport				
48	Ministry of Tourism & Transport HQ	44,465,255	43,049,386	(3,272,770)
30	Marine & Ports	20,830,804	19,512,324	1,765,974
35	Public Transportation	24,163,534	21,053,101	1,314,520
34	Transport Control Department	4,729,775	4,629,670	443,875
		94,189,368	88,244,481	251,599
Ministry of Legal Affairs				
03	Judicial Department	8,298,446	8,088,454	580,021
23	Child and Family Services	16,560,275	16,372,909	41,988
87	Ministry of Legal Affairs HQ	5,720,608	5,691,544	480,107
04	Attorney General's Chambers	5,759,236	4,945,100	288,270
88	National Drug Control	4,994,688	4,372,951	248,444
74	Department of Court Services	4,134,452	4,114,225	518,819
75	Department of Public Prosecutions	3,167,381	3,150,820	178,304
		48,635,086	46,736,003	2,335,953
Ministry of Finance				
58	Interest on Debt	120,481,890	120,481,890	(3,981,890)
58.2	Caroline Bay/Morgan's Point (Note 17)	14,814,279	-	-
11	Accountant General	105,076,947	86,242,973	(89,789)
	Pension and Retirement Benefits			
11a	Expense	78,070,547	-	-
28	Social Insurance	4,493,981	4,492,480	172,236
10	Ministry of Finance HQ	176,291,495	5,565,160	739,432
39	Registrar of Companies	4,042,431	3,251,133	207,579
38	Office of the Tax Commissioner	5,227,960	3,508,468	252,433
59	Sinking Fund Contribution	-	-	-
		508,499,530	223,542,104	(2,699,999)

¹ Adjusted for Non-Cash, Non-Budget 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, 2020

	Expenses	Expenditure 1	Adjusted Estimates ²	Under (Over) Spent
	\$	\$	\$	\$
Ministry of Education & Workforce Development				
17 Department of Education	115,975,348	115,027,989	114,243,393	(784,596)
41 Bermuda College	15,906,000	15,906,000	15,906,000	-
16 Ministry of Education HQ	3,001,509	3,001,509	3,578,628	577,119
18 Libraries & Archives	2,964,765	2,931,592	3,221,904	290,312
	<u>137,847,622</u>	<u>136,867,090</u>	<u>136,949,925</u>	<u>82,835</u>
Ministry of Health				
24 Hospitals	153,513,293	153,513,293	145,673,868	(7,839,425)
55 Financial Assistance	50,198,994	50,677,403	51,483,898	806,495
22 Department of Health	27,794,679	27,467,676	28,106,728	639,052
21 Ministry of Health HQ	12,924,385	14,647,522	12,658,532	(1,988,990)
91 Health Insurance	3,588,024	3,584,679	3,630,140	45,461
	<u>248,019,375</u>	<u>249,890,573</u>	<u>241,553,166</u>	<u>(8,337,407)</u>
Ministry of Labour, Community Affairs & Sports				
60 Workforce Development	3,979,913	3,917,861	4,270,534	352,673
20 Youth, Sport & Recreation	9,631,766	9,556,140	10,109,303	553,163
52 Community & Cultural Affairs	1,754,107	1,753,764	2,117,681	363,917
71 Ministry of Labour, Community Affairs & Sports HQ	1,706,612	1,665,679	2,367,906	702,227
	<u>17,072,398</u>	<u>16,893,444</u>	<u>18,865,424</u>	<u>1,971,980</u>
Ministry of National Security				
07 Police	65,335,169	64,219,870	65,802,191	1,582,321
25 Department of Corrections	28,160,700	27,567,724	25,082,000	(2,485,724)
12 Customs	18,935,642	17,846,075	16,945,442	(900,633)
45 Fire Services	14,253,809	13,986,877	13,181,002	(805,875)
06 Defence	7,967,790	7,498,150	7,208,886	(289,264)
27 Immigration	5,015,535	4,264,762	4,754,000	489,238
83 Ministry of National Security HQ	2,381,594	2,388,617	2,005,939	(382,678)
	<u>142,050,239</u>	<u>137,772,075</u>	<u>134,979,460</u>	<u>(2,792,615)</u>
Ministry of Home Affairs				
79 Environment & Natural Resources	8,194,233	7,909,958	8,351,902	441,944
32 Department of Planning	3,010,716	2,982,005	3,375,590	393,585
89 Energy	641,038	641,038	880,070	239,032
93 Ministry of Home Affairs HQ	1,983,558	1,979,494	3,723,449	1,743,955
29 Registry General	1,611,315	1,607,383	1,831,680	224,297
	<u>15,440,860</u>	<u>15,119,878</u>	<u>18,162,691</u>	<u>3,042,813</u>
Ministry of Public Works				
82 Works & Engineering	57,386,704	32,959,370	29,397,861	(3,561,509)
81 Public Lands & Buildings	36,699,154	19,548,835	19,599,078	50,243
68 Parks	9,130,032	8,752,842	9,675,875	923,033
36 Ministry of Public Works HQ	7,398,161	8,080,117	6,298,594	(1,781,523)
53 Bermuda Housing Corporation	6,050,000	6,050,000	6,050,000	-
97 Land Title & Registration	1,231,236	1,217,063	1,398,282	181,219
49 Land Valuation	978,481	936,689	1,027,159	90,470
	<u>118,873,768</u>	<u>77,544,916</u>	<u>73,446,849</u>	<u>(4,098,067)</u>
TOTAL CURRENT	1,391,557,701	1,051,804,078	1,046,363,414	(5,440,664)

¹ Adjusted for Non-Cash, Non-Budget 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, 2020

	2020	2019
	Actual	Actual
	\$	\$

Unspent Capital Appropriations

In accordance with Section 6 of the Appropriations Act 2020, unspent capital appropriations for incomplete capital projects to be carried forward to future years are as follows:

Capital Development	-	3,956,417
Capital Acquisition	-	4,432,035
	-	8,388,452

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	994,429,775	970,329,775
Projects Completed during the year	(146,135,000)	(151,159,000)
Supplementary Estimate	-	-
Revised Total Authorized Funding	848,294,775	819,170,775
Appropriated Capital Development	(398,378,755)	(375,441,116)
Unappropriated Capital Development Commitments	449,916,020	443,729,659

Government of Bermuda - Consolidated Fund
Schedule 14: Public Debt - Legislated Limit
As at March 31

	2020	2019
	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 \$2.90 billion, as amended March 16, 2020. (Note 15(e))

Debt (Schedule 7)	2,687,360,979	2,680,000,000
Less:		
Sinking Fund (Schedule 7)	41,330,865	218,912,830
Public Debt	2,646,030,114	2,461,087,170
Legislated Limit (Note 15 (e))	2,900,000,000	2,500,000,000
Available Limit	253,969,886	38,912,830