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Certified Public Accountant

Belize City Council

Financial Statements

March 31, 2018

International Financial Reporting Standards (IFRS)



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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE BELIZE CITY COUNCIL

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Belize City Council, which comprise the statement of financial position as of March 31, 2018, the statement of financial performance, statement of changes in general fund, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the **Basis for Qualified Opinion** section of our report, the financial statements present fairly, in all material respects, the financial position of the Belize City Council as of March 31, 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

We were unable to satisfy ourselves as to the accuracy of the amounts recorded for accounts receivable, \$16.8m, as well as to the adequacy of the provision made by the Council for doubtful collections. Since recorded receivables enter into the determination of the financial performance, we were also unable to determine whether adjustments might have affected the net deficit reported on the statement of financial performance and the net cash flows from operating activities reported on the statement of cash flows.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are independent of the Belize City Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our modified opinion.

MEMBER OF

The Institute of Chartered Accountants of Belize (ICAB) • American Institute of Certified Public Accountants (AICPA)



Cedric D. Flowers
Certified Public Accountant

Other

The financial statements of the Belize City Council for the year ended March 31, 2017 were audited by other auditors who expressed a qualified opinion on those financial statements dated February 28, 2018.

Responsibilities of Management and the Members of the Belize City Council for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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 Council'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 Council or to cease operations, or has no realistic alternative but to do so.

The Members of the Belize City Council are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

Cedric D. Flowers
Certified Public Accountant
Belize City, Belize

January 29, 2020

Balance Sheets

31 March

	Notes	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash & Cash equivalents	2.03, 3	886,900	7,030,914
Inventories	2.04	80,948	33,352
Trade and other receivable	4	16,858,754	14,863,244
Total current assets		17,826,602	21,927,510
Other assets		-	103,953
Property and equipment	2.05, 7	88,617,629	85,979,439
TOTAL ASSETS		106,444,231	108,010,902
LIABILITIES AND FUND BALANCE			
Current liabilities			
Trade and other payables	5	12,603,191	10,167,063
Unearned revenues	6	17,235,513	10,203,910
Current portion of borrowings	8a, 8b	4,630,920	3,985,271
Total current liabilities		34,469,624	24,356,244
Net Municipal Bonds payable	8a	8,040,788	14,514,729
Other borrowings	8b	1,162,570	1,946,016
Gratuity/severance payable	11	3,652,013	2,838,431
TOTAL LIABILITIES		47,324,995	43,655,420
Fund balance			
Capital Grant	10	14,558,514	15,317,340
General Fund (Belize City Fund)	2.01	44,560,722	49,038,142
TOTAL LIABILITIES & FUND BALANCE		106,444,231	108,010,902

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Council for issue on _____.

Mayor _____

City Administrator _____

Statements of Financial Performance

Years ended 31 March

	Notes	2018 \$	2017 \$
REVENUES			
Property taxation		8,299,693	10,771,549
Traffic related revenue		4,551,683	5,433,767
Trade license fees		5,093,322	5,084,934
User charges -Tourism		979,037	1,919,221
Liquor license fees		498,813	741,511
Rent and concessions		622,199	540,395
Donations & contributions		213,932	308,991
Other income		260,944	165,001
Building permits		110,367	104,527
Cemetery		71,878	64,500
Interest income		57,910	46,010
Funding from Government	13	2,922,420	3,452,203
TOTAL REVENUES		23,682,198	28,632,609
LESS: EXPENDITURES (See appendix section for details)			
Finance and administrative department		9,242,316	8,630,200
Human resource management department		1,567,016	1,526,831
Market department		218,621	227,677
Mechanical department		1,078	-
Management information systems department		182,919	167,017
Municipal court department		556,073	534,395
Office of the Mayor		1,222,731	671,520
Public relations department		943,571	801,004
Revenue department		584,343	624,828
Sanitation department		5,381,466	5,734,438
Security department		121,656	892,593
Traffic department		1,494,503	1,374,761
Senior town planning department		262,982	159,457
Valuation department		456,274	403,049
Works department		2,290,719	2,266,334
TOTAL EXPENDITURES		24,526,268	24,014,104
NET SURPLUS (DEFICIT)		(844,070)	4,618,505

The accompanying notes form an integral part of these financial statements.

Statements of Changes in General Fund

Years ended 31 March

	2018	2017
	\$	\$
GENERAL FUND		
General Fund Balance, April 1, 2017 and 2016	49,038,142	44,419,637
Adjustments to general fund	(3,633,350)	-
Surplus (Deficit) for the year ended March 31, 2018 and 2017	(844,070)	4,618,505
General Fund, End of Period	44,560,722	49,038,142

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

Years ended 31 March

	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus (Deficit) for the year	(844,070)	4,618,505
Adjustments for non-cash items:		
Depreciation	2,458,508	2,039,831
Prior year adjustments	(3,633,350)	-
Loss on disposal of property and equipment	-	7,284
Gratuity/severance provision	1,407,551	502,935
Deferred grant income	(758,826)	(909,309)
	(1,370,187)	6,259,246
Changes in working capital:		
Increase in trade and other receivables	(1,995,510)	(1,114,124)
Increase in inventories	(47,596)	18,205
Increase in trade and other payables	2,436,128	1,562,567
Increase in deferred income	7,031,603	110,915
Decrease in other assets	103,953	-
Net cash generated from operating activities	6,158,391	6,836,809
Gratuity/severance paid	(593,969)	(287,203)
Net cash provided by operations	5,564,422	6,549,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,096,698)	(2,724,388)
Proceeds from sale of property and equipment	-	5,975
Purchase of other asset (land to be distributed to Council employees)	-	(24,350)
Net cash used by investing activities	(5,096,698)	(2,742,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	(6,611,738)	(272,348)
Other long term liabilities - judgment debt payable	-	(1,387,399)
Net cash used by financing activities	(6,611,738)	(1,659,747)
Net increase (decrease) in cash and cash equivalents	(6,144,014)	2,147,096
Cash and cash equivalents at beginning of the year	7,030,914	4,883,818
Cash and cash equivalents at end of the year	886,900	7,030,914

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

1. GENERAL INFORMATION

Status

Belize City is the largest municipality in the country of Belize; its affairs are governed by the Belize City Council (the Council), which was incorporated on February 17, 1999 under the Belize City Council Act, Chapter 85 of the Laws of Belize (the Act). The Council's administrative offices are located at City Hall, Regent Street, Belize City, Belize.

Constitution and Term

The Belize City Council consists of a Mayor and ten other members (Councillors), elected in accordance with the provisions of the Act; it is lawfully constituted when the requisite number of members has been elected.

Every Council holds office until the last day of February next ensuing after the day in which the Council has been two years in office. An election of members of the Council is held on the first Wednesday next ensuing after the day in which the term of office of the Council expires.

During the period covered by this audit report, April 1, 2017 to March 31, 2018, the Mayor of Belize City was Mr. Darrell Bradley.

Duties of the Council

The Council is entrusted with the general rule and good governance of Belize City and has the power, subject to the provisions of the Act, to do all things necessary to carry out such trust. The Council has the obligation to perform the following duties in Belize City in an efficient and timely manner:

- (a) to maintain all public cemeteries;
- (b) to coordinate, control, manage or regulate the timely and efficient collection and removal of garbage; and,
- (c) to construct, repair, alter, widen, lay out and make surveys for streets in Belize City; to cleanse and keep in good repair any public drain, canal, or creek in Belize City except when public health would, in the opinion of the Council, be endangered by such an operation.

Property taxation and other sources of revenues of the Council

Property taxation is the most significant source of revenues of the Council. The authority to levy and collect property taxes and other significant sources of revenues is established under the Act, Section 59, by reference to additional powers and functions granted to the Council in respect of the following Acts:

- (a) The Public Roads Act;
- (b) Trade Licensing Act;
- (c) Intoxicating Liquor Licensing Act;
- (d) Motor Vehicles and Road Traffic Act;
- (e) Towns Property Tax Act;
- (f) Cruise Ship Passenger Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.01 Basis of Preparation of the Financial Statements

The financial statements of the Council have been prepared in accordance with International Financial Reporting Standards (IFRS), subject to such adaptations as are necessary for the public sector context. The principal accounting policies applied in the preparation of these financial statements are set out in the following paragraphs.

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

The Belize City Fund

The General Fund represents the Belize City Fund in accordance with the provisions of Section 21 of the Act. All financial resources are accounted for in the General Fund. The operations are summarized by employing a separate set of self-balancing accounts which includes the Council's revenues, expenditures, assets, liabilities and fund balance.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Council's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements include employee benefit liabilities, property tax assessments, and collectability of receivables. Actual amounts, which are accounted for as they become known, may differ significantly from estimates.

Going Concern Basis

The financial statements have been prepared on a going concern basis which assumes that the Council will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of Central Government, the City's residents and the Council's suppliers of goods and services.

Changes in accounting policies and disclosures

The following new accounting standard may impact the accounting of the Council in future financial statements.

IFRS 16, 'Leases: This standard replaces the current guidance in IAS 17. This will require far-reaching changes in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases of low-value assets; however, this exemption can only be applied by lessees. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted under certain conditions. The Council did not early adopt this new standard, and will evaluate its impact, as it relates to the Council's leasing arrangements, in due course.

2.02 Foreign currency translation

Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Council operates ('the functional currency'). The financial statements are presented in Belize dollars which is the Council's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance. The official exchange rate for the Belize dollar is fixed at BZ\$2 to US\$1.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are recognized in the statement of financial performance as revenues or expenditures in the period in which they arise.

2.03 Financial assets

The Council's financial assets include: cash and cash equivalents, and trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and at bank, bank drafts, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

Trade receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables or the appropriate taxing legislation.

Other short-term financial assets

Other short-term financial assets comprise term deposit investments held for one year or less; they are initially recognized at transaction price. Due to the short-term maturity of these financial instruments, their carrying values are approximately equal to their market values.

2.04 Inventories

Inventories of the Council include license plates, licensing decals, stationery and usable supplies. Inventories at year end are valued at the lower of cost and net realizable value, cost being determined on the first-in-first-out (FIFO) basis.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Council.

2.05 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by the Council, including acquisition, construction, development or betterment of the asset.

The Council adds to the carrying amount of an item of property and equipment the cost of replacing parts of such item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Council. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of financial performance during the period in which they are incurred.

Land is not depreciated. Depreciation is applied to other assets. The cost less expected residual value is amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings, reinforced concrete	40 – 50 years
Infrastructure	30 – 35 years
Computer and office equipment	3 – 5 years
Furniture and fixtures	5 – 10 years
Other equipment	5 – 10 years
Machinery and vehicles	4 – 10 years.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount. The cost of ordinary repairs and maintenance which does not add value to an asset, or materially extends the asset's useful life, is not capitalized.

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

2.05 Property and equipment (cont'd)

The Council does not capitalize interest costs associated with the acquisition or construction of capital assets.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the statement of financial performance.

2.06 Borrowings

The Council employed the use of long-term debt to finance capital expenditures, which included infrastructure works and other expenditures greater than can be met out of the annual revenues of the Belize City Fund.

Borrowings are recognized initially at the transactional price, i.e. the present value of cash payable to the lender. Borrowings are subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective interest method and is included in finance costs. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Borrowings are classified as current liabilities unless the borrowing terms allow the Council to defer settlement of the liability, or a portion thereof, for at least twelve months after the reporting date. Interest is charged to expense in the period incurred and is included in the statement of financial performance.

Bond Issue

In accordance with Belize City Council (Municipal Bond) Act, 2012 (the Bond Act), the Council issued Municipal Bonds in 2012 and 2013 in the aggregate amount of \$19.97m, which mature in installments (serial bonds) ranging over a period of 2 years to 10 years, with interest rates varying from 3½% to 8% per annum. Use of the proceeds of the Municipal Bonds was restricted to those purposes specified in Schedule 2 of the Bond Act. The Municipal Bonds are classified as Revenue Bonds since their repayment is tied to specified revenue streams of the Council.

Bond Sinking Fund and Restrictions on Revenues

The Bond Act established the Belize City Municipal Bond Sinking Fund (the Sinking Fund) which shall be used for the purpose of repaying principal and interest payable to bondholders, and into which shall be deposited (a) all monies due to the Council in respect of cruise ship passenger fee; (b) all monies voted from time to time by the National Assembly for the use by the Council in the administration of Belize City; and (c) any other monies from the Belize City Fund that the Council considers necessary to ensure the adequacy of the Sinking Fund, which is immune from enforcement of any judgment or proceedings by any creditor or other person.

The Central Bank of Belize manages the Sinking Fund, and makes payments of interest and principal to bondholders.

Other Provisions

The Bond Act requires that the Council shall maintain a debt ceiling below fifty percent of its previous year's recurrent revenues in respect of interest and principal payable in any year. Additionally, the Council's total debt shall not exceed forty million dollars.

2.07 Trade and other payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method. The non-current portion of obligations arising from trade is classified as "deferrals".

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

2.08 Employee benefits

Severance/Gratuity obligations

The City Council recognises termination benefits in accordance with the Labour Act, Chapter 297 of the Substantive Laws of Belize.

The Labour Act was revised in April 2011 to require that employees who have been employed for (a) five to ten years be paid severance pay of one week's pay for each year of service provided he is retiring on or after 60 years of age or on medical grounds or his employment was terminated by the employer without good and sufficient cause and, (b) employees with more than ten years be paid severance pay of two week's pay for each year of service. The revised Act also provided that employees who had already completed ten years of service prior to the commencement of the revision be paid a week's salary for the period served prior to the commencement of the revision and two weeks' salary for the period served after the commencement of the revision to the Act. The revision was effective May 1, 2011.

Where a worker with a minimum of ten years' continuous service resigns his employment he is eligible for a gratuity equal to severance pay as computed in respect of redundancy. If a worker who had qualified for payment of severance or gratuity as outlined above dies while still in the employ, the employer must, within one month of the death, deposit any payment due with the Registrar General for the account of the estate of the deceased worker.

Pension obligations

As provided by the Belize City Council Act, Chapter 85 of the Laws of Belize, the Council may grant a pension to retirees under a defined benefit plan arrangement. A defined benefit plan establishes the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation; the plan is fully funded by the Council. In accordance with IFRS, the defined benefit obligation payable to qualifying retirees should be determined with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from those that would be determined at end of the reporting period.

2.09 Revenues and Recognition

Revenue is measured at the fair value of the consideration received or receivable. The Council recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Council, and when specific criteria have been met for each of the Council's activities, as outlined below.

Significant sources of revenues of the Council comprise property taxes, traffic related fees and charges, trade license fees, cruise ship user charges, government subvention, liquor licenses, and rental and concessions fees.

Property tax revenues

The Council bills and collects property taxes for municipal purposes. Property taxes are billed annually in January of each year for the ensuing financial year starting April 1st. Taxation revenues are recorded at the time billings are issued. Additional property tax revenues can be added throughout the year, related to new properties or properties which are reassessed. Taxation revenues may also be reduced for reassessments.

Government grants and subventions

The Government of Belize's subvention is an allocation approved annually by the National Assembly of Belize for all municipalities, including the Belize City Council. The monies are disbursed in monthly instalments by the Ministry of Local Government.

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

User charges – Tourism

In accordance with the Cruise Ship Passenger Tax Act, the Belize Tourism Board collects the established head tax from manifested passengers of cruise ships arriving in Belize. A shared portion of those funds is contributed to a Tourism Development Fund held by the Ministry of Local Government, who then makes disbursements from that fund to the Council, based on an approved allocation, which varies based on actual cruise ship arrivals.

Restrictions on revenues

In conjunction with the Council's outstanding bond issue, and in accordance with the provisions of the Bond Act, certain revenues of the Council, including government subventions and tourism user charges, are not available for general usage but are paid directly into the Bond Sinking Fund, held and managed by the Central Bank of Belize.

Revenue from taxes, fees, licenses, fines and asset-exchange transactions

The Council recognizes revenues from taxes, fees, user charges, licenses, fines and asset-exchange transactions when the event occurs and the asset recognition criteria are met. To the extent that the revenues received benefit future periods, a deferred income liability is recognized. Any asset-exchange revenues are recognized when it is probable that the economic benefits or service potential associated with the asset will flow to the Council and the fair value of the asset can be measured reliably.

Deferred revenues

Certain amounts are collected pursuant to legislation or agreement (liquor license fees, traffic related fees, trade licenses, property taxes) in a period prior to which the fees relate. Such amounts are recorded as deferred revenues and are recognized as revenues in the year for which the revenues were billed, as this is the time the eligibility criteria have been met.

Government grants and subventions

The Council applies the income approach in accounting for government grants and subventions. Revenues from government grants and subventions are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably.

Government grants are recognized in the statement of financial performance on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. All grants which relate to depreciable assets are recognized as capital grant income on a systematic basis over the periods, in the proportions in which depreciation expense on those assets is recognized. The balance of unamortized costs is reflected on the Statement of Financial Position as Capital Grant.

Where government grants become receivable to the Council as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs, such amounts are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest income

Interest income is recognized using the effective yield method; interest earning from the Sinking Fund investments are not paid to the Council but reinvested in the Sinking Fund managed by the Central Bank of Belize.

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

2.10 Leases/Rental

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged in the statement of financial performance on a straight-line basis over the period of the lease.

The Council leases out (rents out) stalls at the Michael Finnegan market, lots and other Council spaces and properties under operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and included in revenues in the statement of financial performance.

2.11 Provisions

Provisions are recognized when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where some or all of a provision is to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. Otherwise, the expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

2.12 Income Taxes

In accordance with provisions of the Income and Business Tax Act, as amended, Chapter 55 of the Laws of Belize, the Council is exempted from income taxation on its revenues.

2.13 Financial Risk Management

The Belize City Council controls its exposure to financial risk of impairment to assets by conducting its activities under policies approved by the Mayor and the Councillors.

2.14 Trust Assets

Trust assets and their related operations administered by the Council are not included in these financial statements, but reported separately.

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

	2018	2017
	\$	\$
3. CASH AND BANK BALANCES		
Cash on hand	-	23,463
Scotia Bank Operating	426,650	1,182,120
Heritage Bank Operating	44,689	3,614
Atlantic Bank Business Savings	11,281	11,083
Atlantic Bank Operating	55,877	475,108
Atlantic Bank Operating	324,000	-
Sinking Fund Account	-	1,947,502
Sinking Fund Account	-	3,299,392
Scotia Bank Credit Card Account	24,403	88,632
	886,900	7,030,914

4. TRADE AND OTHER RECEIVABLES

Property taxes receivable	20,628,012	16,346,824
Trade license receivable	3,047,437	1,262,463
Tourism related revenues receivable	1,593,492	1,593,492
Garbage fee receivables	275,196	275,196
Liquor license	128,779	18,768
Rent Receivables	718,983	426,040
Staff receivable	143,395	164,180
Other receivables	381,471	512,098
	26,916,765	20,599,061
Provision for impairment of receivables	(10,058,011)	(5,735,817)
	16,858,754	14,863,244

5. TRADE AND OTHER PAYABLES

Accounts payable and accrued liabilities consist of the following:

Trade payable	6,584,786	4,099,682
Other payables and accruals	5,727,789	5,727,789
Escrow funds held from liquidation of properties for tax arrears	290,616	339,592
	12,603,191	10,167,063

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

	2018	2017
	\$	\$
6. UNEARNED REVENUES		
Revenues received for advance payments for property taxes, licenses and other charges are included in deferred revenues.		
Deferred Revenues		
Property tax	9,070,918	4,589,983
Trade license	5,438,994	3,518,068
Liquor license	511,091	387,147
Traffic license	2,214,510	1,708,712
	17,235,513	10,203,910

7. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	City Streets & Drains Infrastructure	Furniture & Fixtures	Vehicles & Machinery	Computers & Other Equipment	Work in Progress Streets/Drains	Totals \$
Gross carrying amount							
Balance, April 1, 2017	53,562,428	34,971,953	360,333	3,335,623	912,168	70,125	93,212,630
Additions	954,114	124,571	6,688	409,657	190,131	3,411,537	5,096,698
Disposals	-	-	-	-	-	-	-
Balance, March 31, 2018	54,516,542	35,096,524	367,021	3,745,280	1,102,299	3,481,662	98,309,328
Accumulated Depreciation							
Balance, April 1, 2017	1,576,259	3,624,285	122,496	1,509,259	400,892	-	7,233,191
Disposals	-	-	-	-	-	-	-
Depreciation for the year	289,919	1,052,896	36,702	883,217	195,774	-	2,458,508
Balance, March 31, 2018	1,866,178	4,677,181	159,198	2,392,476	596,666	-	9,691,699
Net carrying amount, March 31, 2018	52,650,364	30,419,343	207,823	1,352,804	505,633	3,481,662	88,617,629
Net carrying amount, March 31, 2017	51,986,169	31,347,668	237,837	1,826,364	511,276	70,125	85,979,439

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

	2018	2017
	\$	\$
8a. NET MUNICIPAL BONDS		
The net unsecured long-term debt reported on the Statement of Financial Position comprises municipal bonds issued by the City Council as follows:		
Municipal bonds:		
Municipal bonds series No. 2 of issue No. 1, interest rate of 5.5%, maturing on December 24, 2017.	-	3,000,000
Municipal bonds series No. 3 of issue No. 1, interest rate of 8%, maturing on December 24, 2022.	6,000,000	6,000,000
Municipal bonds series No. 2 of issue No. 2, interest rate of 5.5%, maturing on May 24, 2018.	2,000,000	2,000,000
Municipal bonds series No. 3 of issue No. 2, interest rate of 8%, maturing on May 24, 2023.	3,172,000	3,172,000
Municipal bonds series No. 2 of issue No. 3, interest rate of 5.5%, maturing on September 6, 2018.	500,000	500,000
Municipal bonds series No. 2 of issue No. 3, interest rate of 5.5%, maturing in November, 2018.	1,528,000	1,528,000
Municipal bonds series No. 3 of issue No. 3, interest rate of 8%, maturing in November, 2023.	2,300,000	2,300,000
Total municipal bonds	15,500,000	18,500,000
Less: Bond Sinking Fund	(3,431,212)	-
Net Municipal Bonds Payable	12,068,788	-
Current portion payable	(4,028,000)	-
Non-current portion	8,040,788	18,500,000

8b. OTHER BORROWINGS

Other	-	1,946,016
Heritage Bank Commercial Center (see note 9b)	1,765,490	-
Less: current portion	(602,920)	(3,985,271)
	1,162,570	16,460,745

Principal amounts on borrowings are repayable as follows:

Year ended March 31,	2019	602,920
	2020	520,732
	2021	569,580
	2022	6,623,011
	2023	6,153,454
	2024	745,379
		15,215,076

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

9. BANK INDEBTEDNESS

- a. The Council has a secured demand revolving credit facility in the amount of \$1,000,000 (2017 - \$1,000,000), bearing interest at the rate of 8.5% (2017 - 8.5%) per annum. The facility is secured by a first lien over several of the Council's properties in Belize City. The amount of \$21,388 was drawn March 31, 2018.
- b. Heritage Bank loan of \$4.8m was obtained by the Council to refinance an existing loan (\$1.4m) and to assist with the rehabilitation of the Commercial Center building for City Hall (\$3.4m). The loan is repayable by 96 equal monthly installments of \$71,066 each, inclusive of interest at the rate of 9% per annum. The loan is secured by a guarantee of the Gov. of Belize for \$3.9m (valid to April 30, 2019), 1st charge over the Commercial Center, 1st charge over BTL Park, Princess Margaret Drive, 1st charge over City Hall Building, North Front Street, and Insurance cover to include fire and all risks.

	2018	2017
	\$	\$

10. CAPITAL GRANT

Government grants: infrastructure	13,475,311	13,892,073
Government grant: vehicles	1,083,203	1,425,267
	14,558,514	15,317,340

11. GRATUITY/SEVERANCE PAYABLE

Employee benefit liabilities are as follows:

Balance, Beginning of Period	2,838,431	2,622,699
Additions	1,407,551	502,935
Gratuity/severance paid	(593,969)	(287,203)
Balance, End of Period	3,652,013	2,838,431

12. INTENTIONALLY LEFT BLANK

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

	2018	2017
	\$	\$
13. GOVERNMENT GRANTS AND SUBVENTIONS		
a. Contributions in cash	1,479,700	1,480,100
b. Contributions in debt service	683,894	612,794
c. Deferred grant income - infrastructure	416,762	434,220
d. Deferred grant income - vehicles	342,064	475,089
e. Contribution - flood relief programme	-	450,000
	2,922,420	3,452,203

- a. Cash contributions represent allocations approved by the National Assembly. The monies are disbursed in 12 equal monthly installments of \$123,708 to the Council by the Ministry of Local Government.
- b. Debt service contributions represent payments made on behalf of the Council by the Government of Belize towards the Council's bank loan.
- c. Deferred grant income - infrastructure represents the depreciable portion of the construction costs granted to the Council for the completion of Belize City streets, which is recognized as income for the year.
- d. Deferred grant income - vehicle represents the depreciable portion of the vehicles granted to the Council, which is recognized as income for the year.
- e. Contribution related to flood relief programme represents funds received from the Government of Belize to assist the Council with the cost incurred to clean the city drainage system following Hurricane Earl in August 2016.

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

14. COMMITMENTS AND CONTINGENCIES

Contingent liabilities reflect possible liabilities that may be incurred by the Council where the potential amount is unable to be estimated, and/or it is still not deemed probable that an obligating event has arisen. Material contingent liabilities are disclosed in these financial statements.

14.01 Contracts

The Council was a party to contracts and business arrangements with various parties at March 31, 2018. Unless recognized as a provision in these financial statements, the Council had not yet received services for which amounts had become due and payable at balance sheet date.

Significant non-employment contracts which existed at March 31, 2018 date comprised the following:

- a. Cisco Construction, street refurbishment, \$68,170;
- b. Ranger Security and Surveillance Ltd, security services, value \$916,582;
- c. Young's Engineering Consultancy Ltd, refurbishment of Commercial Center, \$48,410;
- d. RJB Construction Co. Ltd., street refurbishment, \$1,863,519;
- e. RJB Construction Co. Ltd., street refurbishment, \$216,473;
- f. RJB Construction Co. Ltd., street refurbishment, \$560,949;
- g. International Environments Ltd., refurbishment of Commercial Center, \$3,626,464.

14.02 Legal Matters

The City Council is subject to various litigation and claims arising in the normal course of operations. Unless otherwise stated, the final outcome of the outstanding claims cannot be determined at this time. Adjustments to accrued amounts, where applicable, will be recorded once new information becomes available. There were no significant matters which existed at March 31, 2018.

15. KEY MANAGEMENT AND COUNCIL COMPENSATION

The aggregate compensation of the Mayor, the Councillors, and the City Administrator for the year ended March 31, 2018 was \$515,055; (March 31, 2017 - \$406,850).

16. SEGMENTED INFORMATION

The City Council provides a wide range of services to residents of Belize City. The Council is organized into departments and its services are delivered through the various departments. The segmented information represents costs incurred by the departments, without allocation of revenues earned. Expenditures may represent amounts which are directly attributable to the department, as well as amounts which may have been reasonably allocated.

The segmented information is provided in the Appendix Section of this report and include the following departments:

- Finance and Administrative
- Human Resource Management
- Market
- Mechanical
- Management Information Systems

Notes to the Financial Statements

For the years ended March 31, 2018 and 2017 (expressed in Belize Dollars)

- Municipal Court
- Office of the Mayor
- Public Relations
- Revenue
- Sanitation
- Security
- Traffic
- Senior Town Planning
- Valuation
- Works

17. SUBSEQUENT EVENTS

Proposed General Obligation Bond Issue

By a resolution dated October 18, 2018, the Council proposes to issue The Belize City Council 2019 Series 1 Municipal Paper, also termed “the 2019 Series 1”.

The 2019 Series 1 proposes to be direct obligations of the Belize City Council and will be repaid from the revenues generated by the Council. The Municipal Paper will be classified as general obligation bonds since its repayment is not tied to any specified revenue stream, but will be backed by the Council’s taxing power.

In accordance with the Belize City Council (Municipal Paper) Act 2019 and the Council’s Prospectus, the 2019 Series 1 will consist of three tranches with maturities varying from 91 days to 361 days. The Municipal Paper will be offered in denominations of \$5,000 and multiples thereof to a maximum of \$10m, as tradable instruments.

Interest on the 2019 Series 1 bonds will be payable quarterly at rates varying from 3.20% to 3.70% per annum.

Legal Claims

The following matters were initiated after balance sheet date:

- a. Claim No. 422 of 2018 – Haylock’s Bus Limited v. Belize City Council
Haylock filed an action against the Council seeking unspecified damages as a consequence of a decision made by the Council to grant a bus run in Belize City to another operator, while Haylock contended that it had exclusive rights.

The claim was settled out of court in October, 2018.

- b. Claim No. 433 of 2018 – Candice Miller v. Belize City Council
This action was filed against the Council in which Miller claimed wrongful termination of employment and sought damages of \$498,175.

A judgment of the Supreme Court was entered in this matter in which the claimant was awarded \$447,993. The City Council has appealed that decision and awaits a hearing of the Court of Appeals.

These financial statements have not been adjusted to provide for the effects of the judgment.

APPENDIX

Appendix to the Financial Statements

SEGMENT REPORTING

The segmented information provided herein is consistent with the aggregate balances reflected on the statements of financial performance presented in these audited accounts, although individual account classifications within departments may vary from year to year in some cases.

Year Ended March 31,	2018	2017
	\$	\$
a. FINANCE AND ADMINISTRATION		
Advertisement	1,815	150
Board meetings	16,278	7,412
Consultancy and professional fees	53,395	85,841
Depreciation	2,458,508	2,039,830
Disaster preparedness - Hurricane Earl	18,297	255,363
Donation	160,527	144,038
Financial expenses	741,897	1,598,195
Fuel	128,173	303,032
Implements	647	2,399
Indemnities	7,438	16,972
Insurance and licenses	98,591	28,203
Loss on disposal of property and equipment	-	7,284
Materials and supplies	240,401	248,728
Miscellaneous	2,831	1,023
National celebrations/festivities	121,702	163,357
Pensions, severance and gratuity	1,487,355	144,412
Provision for uncollectible receivables	632,207	1,540,336
Reconciliation differences written off	-	69,461
Rent and leases	39,466	5,604
Repairs and maintenance	48,660	88,339
Street maintenance	113,856	-
Salaries	1,440,907	1,386,075
Contracts and Consultancy	717,785	-
Social assistance and contributions to social activities	368,437	164,874
Staff benefits and social security	125,874	113,952
Training	5,229	6,125
Transport & Travel	64,419	56,099
Utilities	147,621	153,096
	9,242,316	8,630,200

Appendix to the Financial Statements

Year Ended March 31,	2018	2017
	\$	\$
b. HUMAN RESOURCE MANAGEMENT		
Board Meetings	1,500	1,750
Disaster preparedness - Hurricane Earl	10	993
Donation	1,000	2,400
Fuel expenses	22,104	5,202
Insurance and licenses	206,443	210,132
Materials and supplies	86,018	96,821
Miscellaneous	5,934	-
National celebrations/festivities	205,887	181,120
Pension	252,968	234,541
Rent and leases	61,500	25,625
Repairs and maintenance - Building	5,672	4,633
Salaries	308,932	258,809
Severance and Gratuity	214,690	358,523
Social assistance and contributions to social activities	3,988	3,993
Staff benefits and social security	172,519	133,816
Training	16,053	3,052
Transport & Travel	195	395
Utilities	1,603	5,026
	1,567,016	1,526,831
c. MARKET DEPARTMENT		
Disaster preparedness - Hurricane Earl	-	3,614
Fuel	447	342
Implements	13,098	8,201
Materials and supplies	8,359	6,972
Miscellaneous	35	22
Reconciliation differences write off	11,005	-
Repairs and maintenance	3,627	17,728
Street maintenance	3,795	-
Salaries	130,912	126,197
Staff benefits and social security	5,375	5,375
Utilities	41,968	59,226
	218,621	227,677
d. MECHANICAL DEPARTMENT		
Staff benefits and social security	1,078	-
	1,078	-

Appendix to the Financial Statements

Year Ended March 31,	2018	2017
	\$	\$
e. MANAGEMENT INFORMATION SYSTEM DEPARTMENT		
Disaster preparedness - Hurricane Earl	25	-
Fuel	8,020	3,082
Implements	27	1,238
Material and supplies	5,823	6,878
Repairs and maintenance	477	24,788
Salaries	160,287	127,572
Staff benefits and social security	4,525	3,329
National celebrations/festivities	-	130
Transport and travel	135	-
Contracts and Consultancy	3,600	-
	182,919	167,017
f. MUNICIPAL COURT DEPARTMENT		
Board Meetings	3,000	6,000
Fuel	2,369	1,184
Implements	64	466
Insurance and licenses	-	5,000
Materials and supplies	20,882	24,154
Miscellaneous	-	143
National celebrations/festivities	-	170
Pension, severance and gratuity	12,626	-
Rent and leases	112,904	84,820
Repairs and maintenance	337	413
Salaries	347,441	343,179
Staff benefits and social security	18,654	21,920
Transport & Travel	180	570
Training	-	806
Utilities	37,616	45,570
	556,073	534,395

Appendix to the Financial Statements

Year Ended March 31,	2018	2017
	\$	\$
g. OFFICE OF THE MAYOR DEPARTMENT		
Board Meetings	3,750	9,000
Donations	3,613	3,900
Fuel	305	934
Implements	88	948
Miscellaneous	31	-
Materials and supplies	45,679	63,408
National celebrations/festivities	6,000	800
Contracts and Consultancy	711,111	-
Repairs and maintenance	2,463	6,268
Remuneration of Mayor and Councilors	388,983	406,850
Social assistance and contributions to social activities	12,716	57,542
Salaries, staff benefits and social security	20,532	6,000
Transport & Travel	17,047	91,099
Training	-	440
Utilities	10,413	24,331
	1,222,731	671,520
h. PUBLIC RELATIONS DEPARTMENT		
Advertisement	128,975	118,349
Donations	534	11,778
Fuel	25,165	750
Implements	4,969	10,198
Miscellaneous	27,298	2,788
Street maintenance	40,106	-
Materials and supplies	192,387	58,023
National celebrations/festivities	420	115,377
Rent and leases	696	1,050
Repairs and maintenance	411,713	78,898
Salaries	16,417	335,667
Staff benefits and social security	87,485	13,675
Social assistance and contributions to social activities	1,080	48,488
Transport & Travel	854	222
Training	5,472	630
Utilities	-	5,111
	943,571	801,004

Appendix to the Financial Statements

Year Ended March 31,	2018	2017
	\$	\$
i. REVENUE DEPARTMENT		
Commissions paid	229,061	269,647
Board expenses	37,612	32,416
Financial expenses	60	1,414
Fuel	11,694	3,200
Implements	-	24
Materials and supplies	16,498	28,754
Miscellaneous	30	-
National celebrations/festivities	750	250
Repairs and maintenance	553	6,082
Salaries	274,907	270,116
Staff benefits and social security	13,178	12,770
Transport and travel	-	155
	584,343	624,828
j. SANITATION DEPARTMENT		
Disaster preparedness - Hurricane Earl	-	2,117
Donations	-	135
Fuel	147,404	82,949
Implements	33,089	25,448
Indemnities	325	3,272
Insurance and licenses	2,275	8,717
Materials and supplies	48,130	82,282
Miscellaneous	-	319
National celebrations/festivities	2,867	-
Repairs and maintenance	57,931	204,428
Street maintenance	92,866	-
Rent and leases	104,905	45,880
Salaries	2,341,883	2,225,766
Contracts and Consultancy	2,437,654	2,948,872
Social assistance and contributions to social activities	90	-
Staff benefits and social security	111,937	103,733
Transport & Travel	110	200
Training	-	320
	5,381,466	5,734,438

Appendix to the Financial Statements

Year Ended March 31,	2018	2017
	\$	\$
k. SECURITY DEPARTMENT		
Consultancy and professional fees	-	889,763
Repairs and maintenance	-	2,830
Contracts and Consultancy	121,656	-
	121,656	892,593
I. TRAFFIC DEPARTMENT		
Consultancy and professional fees	-	1,250
Donation	-	200
Financial expenses	159	75
Fuel	66,473	28,796
Implements	651	2,156
Insurance and licenses	5,169	2,073
Materials and supplies	318,123	308,101
Miscellaneous	-	150
National celebrations/festivities	8,701	364
Repairs and maintenance	20,558	51,502
Salaries	28,211	886,138
Staff benefits and social security	963,327	42,666
Street maintenance	44,469	4,079
Social assistance and contributions to social activities	1,698	12,375
Contracts and Consultancy	4,750	-
Transport & Travel	1,760	40
Utilities	30,454	34,796
	1,494,503	1,374,761

Appendix to the Financial Statements

Year Ended March 31,	2018	2017
	\$	\$
m. SENIOR TOWN PLANNING DEPARTMENT		
Disaster preparedness - Hurricane Earl	450	799
Board Meetings	15,450	14,150
Fuel	31,296	6,349
Implements	1,148	99
Materials and supplies	4,826	2,037
Street maintenance	24,323	-
Rent and leases	1,418	-
Repairs and maintenance	8,546	3,068
Salaries	167,833	124,949
Contracts and Consultancy	-	3,336
Staff benefits and social security	7,692	171
Social assistance and contributions to social activities	-	3,000
Transport and travel	-	1,499
	262,982	159,457
n. VALUATION DEPARTMENT		
Advertising	-	1,500
Board meetings	1,125	-
Commissions	-	500
Financial expenses	-	103
Fuel	10,760	3,267
Indemnities	683	-
Implements	-	392
Materials and supplies	44,001	42,420
Miscellaneous	30	60
Contracts and Consultancy	2,350	-
Repairs and maintenance	2,105	3,261
Salaries	358,392	319,227
Staff benefits and social security	17,519	13,512
Transport & Travel	19,309	16,941
Training	-	1,866
	456,274	403,049

Appendix to the Financial Statements

Year Ended March 31,	2018	2017
	\$	\$
o. WORKS DEPARTMENT		
Board meetings	-	334
Disaster preparedness - Hurricane Earl	-	146,402
Donations	-	747
Fuel expenses	187,785	92,534
Implements	7,860	31,035
Indemnities	-	400
Insurance and licenses	8,420	15,541
Materials and supplies	34,299	33,968
Miscellaneous	84	13
National celebrations/festivities	-	78
Pension, severance and gratuity	5,610	-
Rent and leases	94,096	20,868
Repairs and maintenance	186,106	222,355
Salaries	977,489	989,169
Staff benefits and social security	39,770	39,097
Social assistance and contributions to social activities	585	-
Street maintenance	711,255	638,407
Transport & Travel	135	859
Utilities	37,225	34,527
	2,290,719	2,266,334