



Castillo Sanchez & Burrell, LLP

BELIZE CITY COUNCIL

*Financial Statements for the
Year Ended March 31, 2012 and
Independent Auditors' Report*

**Independent Correspondent Firm to
Deloitte Touche Tohmatsu**

BELIZE CITY COUNCIL

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INDEPENDENT AUDITORS' REPORT

To the Mayor and the Councilors of Belize City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of Belize City Council, which comprise the statement of financial position as at March 31, 2012, statement of comprehensive income, statement of changes in general fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Correspondent Firm to Deloitte Touche Tohmatsu

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Consultant:
Julian Castillo, CA

Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

Independent Auditors' Report

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

The Council's financial statements for the year ended March 31, 2012 represent the first audited financial statements prepared and issued under International Financial Reporting Standards. We were unable to establish opening balances for accounts receivable and accounts payable included in these financial statements which are primarily comprised of transactions initiated prior to April 1, 2011. Furthermore, we were unable to verify by alternative means net accounts receivable totaling \$12,150,428 and accounts payable totaling \$9,673,914 included in the statement of financial position as at March 31, 2012. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded accounts receivable and accounts payable, and the elements making up the statement of comprehensive income, statement of changes in general fund and statement of cash flows.

Adverse Opinion

In our opinion because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly in all material respects, the financial position of the Belize City Council as at March 31, 2012 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Castillo Sanchez Barrow, CPA

Chartered Accountants

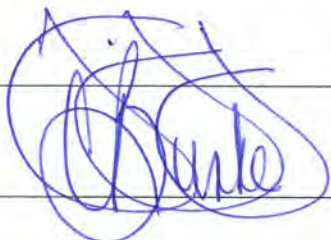
June 22, 2012

BELIZE CITY COUNCIL

**STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012 (IN BELIZE DOLLARS)**

<u>ASSETS</u>	<u>Notes</u>	<u>2012</u>
CURRENT ASSETS:		
Cash and bank balances	2f, 3	\$ 37,917
Property tax receivable	2f, 4	10,714,288
Trade license receivable	2f, 5	826,878
Other licenses and taxes receivable	2f, 6	609,262
Tourism related receivable	2f, 7	717,845
GOB subvention receivable	2f	71,066
Staff receivable	2f	111,622
Inventory	2g	116,781
Total current assets		<u>13,205,659</u>
NON-CURRENT ASSETS:		
Property, plant and equipment – net	2h, 8	50,772,697
Total non-current assets		<u>50,772,697</u>
TOTAL ASSETS		<u>\$63,978,356</u>
<u>LIABILITIES AND GENERAL FUND</u>		
CURRENT LIABILITIES:		
Bank overdraft	2f, 9	\$ 1,334,488
Accounts payable trade	2f	9,673,914
Accounts payable other	2f, 10	510,939
Current-portion of long term debt	2f, 11	940,531
Total current liabilities		<u>12,459,872</u>
NON-CURRENT LIABILITIES:		
Long-term debt	2f, 11	1,570,330
Total non-current liabilities		<u>1,570,330</u>
GENERAL FUND		<u>49,948,154</u>
TOTAL LIABILITIES AND GENERAL FUND		<u>\$63,978,356</u>

The financial statements on pages 3 to 6 were approved and authorized for issue by the Mayor and Councilors on November 13, 2012 and are signed on its behalf by:

) Mayor
)
)
) City Administrator

The notes on pages 7 to 26 are an integral part of these financial statements.

BELIZE CITY COUNCIL**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

CONTINUING OPERATIONS:	<u>Notes</u>	<u>2012</u>
OPERATING REVENUES:	2i	
Administration costs		\$ 548,238
Government subvention	2k, 12	2,488,440
Landfill		320,209
Liquor license fees		550,025
Markets		319,585
Other income		4,838
Property tax fees		6,611,895
Tourism related revenue	7	1,471,428
Trade license fees		3,361,620
Traffic related revenue		<u>3,645,902</u>
		<u>19,322,180</u>
OPERATING EXPENSES:	2i	
Community participation department	13	1,600
Finance department	14	338,086
General and administrative	15	2,716,440
Human resources department	16	899,376
Market department	17	352,476
Mechanical department	18	192,586
Management Information Systems department	19	139,102
Municipal court	20	327,396
Office of the Mayor	21	785,966
Public relations department	22	233,197
Revenue department	23	804,149
Sanitation department	24	8,134,399
Security department	25	673,918
Senior town planning	26	192,674
Special events	27	93,266
Traffic department	28	1,207,828
Valuation department	29	254,674
Works department	30	<u>1,929,423</u>
		<u>19,276,556</u>
PROFIT FOR THE YEAR		45,624
Other comprehensive income		<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ <u>45,624</u>

The notes on pages 7 to 26 are an integral part of these financial statements.

BELIZE CITY COUNCIL

**STATEMENT OF CHANGES IN GENERAL FUND
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

	General Fund
Balance at April 1, 2011	\$49,902,530
Profit for the year	<u>45,624</u>
Balance at March 31, 2012	<u>\$49,948,154</u>

The notes on pages 7 to 26 are an integral part of these financial statements.

BELIZE CITY COUNCIL

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2012</u>
Cash provided by:	
License fees and taxes	\$14,657,005
Tourism related revenue	1,147,563
Government subvention	<u>1,356,391</u>
	<u>17,160,959</u>
Cash applied to:	
Payments to creditors and employees	(15,991,735)
Interest paid	<u>(325,313)</u>
Net cash provided by operating activities	<u>843,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property, plant and equipment	<u>(165,804)</u>
Net cash used in investing activities	<u>(165,804)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of long-term debt	<u>(640,190)</u>
Net cash used in financing activities	<u>(640,190)</u>
NET INCREASE IN CASH AND BANK BALANCES	37,917
CASH AND BANK BALANCES, BEGINNING OF YEAR	<u>-</u>
CASH AND BANK BALANCES, ENDING OF YEAR	<u>\$ 37,917</u>

The notes on pages 7 to 26 are an integral part of these financial statements.

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

1. STATUS

Status – The Belize City Council (the “City Council”) is a body corporate established under the Belize City Council Act, Chapter 85 of the Laws of Belize (Revised Edition 2000). The City Council provides the following services as authorized by the Belize City Council Act: Public Safety – street improvements and infrastructure; Sanitation – public health and garbage disposal; Culture – recreation, acquiring, zoning of property, disposal; and general and administrative services.

The City Council’s administrative offices are located at City Hall on North Front Street, Belize City.

These are the first financial statements prepared under International Financial Reporting Standards (IFRS).

2. SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of presentation – The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments identified in the following accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The accrual basis of accounting has been used unless otherwise indicated.
- b. Functional and presentation currency – The financial statements are presented in Belize dollars, which is the City Council’s functional currency. That is the currency of the primary economic environment in which the Council operates.
- c. Foreign currency transactions – Transactions in foreign currencies during the year are translated into Belize dollars at the rates ruling on the dates of the transactions. Foreign currency balances outstanding at the balance sheet date are translated at the rates ruling on that date. Gains and losses, both realized and unrealized, are included in statement of comprehensive income. The official rate of exchange for the US dollar is fixed at BZD\$2 = USD\$1.
- d. Significant judgments and estimation uncertainty – The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.
- e. Change in accounting policies – The City Council has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the City Council.

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new standards, amendments, and interpretations effective for 2011

- *IFRS 7 Offsetting of financial assets and financial liabilities (Amendment)* – Effective date of December 2011.
 - *IFRS 7 Disclosures on transition to IFRS 9 (Amendment)* – Effective date of December 2011.
- The following are new standards, amendments, and interpretations issued during the period but not yet effective; earlier adoption is permitted. Management has to evaluate the applicability and impact of these standards to the City Council's operations.***
- *IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) — Severe hyperinflation and Removal of Fixed Dates for First-time Adopters.* Effective for annual periods beginning on or after 1 July 2011.
 - *IFRS 7 Financial Instruments: Disclosures (Amendment).* – Effective for annual periods beginning on or after 1 July 2011. The amendment may be applied earlier than the effective date and this must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.
 - *IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1* - Effective for annual periods beginning on or after 1 July 2012. Earlier application is permitted and must be disclosed.
 - *IAS 19 Employee Benefits (Revised)* – Effective for annual periods beginning on or after 1 January 2013.
 - *IAS 27 Separate Financial Statements* - Effective for annual periods beginning on or after 1 January 2013.
 - *IFRS 10 Consolidated Financial Statements/ IAS 27 Separate Financial Statements.* – Effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted if the entity also applies the requirements of IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) at the same time.
 - *IFRS 11 Joint Arrangements/ IAS 28 Investments in Associates and Joint Ventures.* – Effective for annual periods beginning on or after 1 January 2013. Early application of IFRS 11 is permitted, provided that an entity also applies the requirements of IFRS 10, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) at the same time.
 - *IFRS 12 Disclosure of Interests in Other Entities.* – Effective for annual periods beginning on or after 1 January 2013. An entity may early adopt IFRS 12 before adopting IFRS 10, IFRS 11, IAS 27 and IAS 28. Entities are also encouraged to provide some of the information voluntarily without necessarily adopting all of IFRS 12 before its effective date.

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *IFRS 13 Fair Value Measurement*. Effective for annual periods beginning on or after 1 January 2013. Applied prospectively. Early application is permitted and must be disclosed.
 - *IFRS 9 Financial Instruments – Classification and Measurement*. – Effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. Early adopters with an initial application date before 1 January 2012 need not restate comparative information for prior periods.
- f. Financial instruments – Financial assets and the financial liabilities are recognized when an entity becomes a party to the contractual provision of the instrument.

Initial recognition and measurement

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of the financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables.’ The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial assets other than those financial assets classified as at FVTPL.

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments (continued)

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Method (EIR) method, less impairment. 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 EIR. The EIR amortization is included in interest income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

The City Council's financial assets classified as loans and receivables include: cash and bank balances and accounts receivable. Refer to Note 32.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probably that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the entity's past experience of collective payments, an increase in number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the financial asset's original effective interest rate.

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The City Council derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the City Council neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the City Council recognizes its retained interest in the asset and associated liability for amounts it may have to pay.

If the City Council retains substantially all the risks and rewards of ownership of a transferred financial asset, the City Council continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in the other comprehensive income and accumulated in equity is recognized in profit or loss.

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial instruments (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the City Council retains an option to repurchase part of the transferred asset), the City Council allocates the previous carrying amount of the financial asset between the part it continues to recognize under the continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount and the allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated further cash payments (including all fees and points paid or received that form and integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The City Council’s other financial liabilities include: bank overdraft, accounts payable and accruals, and long term debt. Refer to Note 32.

Derecognition of financial liabilities

The City Council derecognizes financial liabilities when and only when, the City Council’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and is payable is recognized in profit or loss.

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- g. Inventories – Inventories include license plates, drivers' license cards and other items maintained at the Traffic Department which are sold to the public. Inventories are valued at the lower of cost and net realizable value, cost being determined on the first-in-first-out (FIFO) basis. Net realizable value represents the estimated selling price less estimated selling expenses.
- h. Property, plant and equipment - Property, plant and equipment are carried at cost or valuation, where cost is unavailable, and are depreciated using the double declining basis using the following estimated useful lives:

Buildings	2%
Computer and office equipment	20%
Furniture and fixtures	10%
Other equipment	10%
Vehicles and machinery	25%, 10%

Maintenance, repairs and renewals are charged against revenue in the year the expenditure is incurred; major renewals and improvements are capitalized.

When fixed assets are disposed of by sale or are scrapped the cost and related accumulated depreciation are removed from the accounting records and any resulting gain or loss is reflected in the results of operations.

Revaluation

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized after the date of the revaluation. Any revaluation surplus is credited to the asset revaluation reserve in equity, except the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Derecognition

An item of property, plant and equipment and any significant part recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Property, plant and equipment (continued)

Impairment

At each reporting date, the City Council reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the City Council estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss will be treated as an increase in the revaluation.

- i. **Revenue, cost and expense recognition** – Revenue comprises the invoiced value of fees, licenses and taxes due to the City Council. This includes property tax, trade licenses, liquor licenses, traffic related revenue and others. Revenue is recognized in the accounting period when fees are due and collectible. Other income is recognized when earned. Cost and expenses are recognized when incurred.
- j. **Interest** – Interest on loans and other bank charge is charged to expense in the period incurred.
- k. **Government subvention** – Monthly cash contributions allocated to the City Council and debt payments made on behalf of the City Council by the Government of Belize are recognized in the accounting period when the contributions are due and collectible.

3. CASH AND BANK BALANCES

	<u>2012</u>
Petty cash	\$ 2,000
Cash at bank	<u>35,917</u>
	<u>\$37,917</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

4. PROPERTY TAX RECEIVABLE

	<u>2012</u>
Property tax receivable	\$15,871,022
Provision for doubtful debts	<u>(5,156,734)</u>
	<u>\$10,714,288</u>

Provision for doubtful debts is comprised of the following:

Provision, beginning of year	\$ 4,369,532
Charge for the year	<u>787,202</u>
Provision, end of year	<u>\$ 5,156,734</u>

5. TRADE LICENSE RECEIVABLE

	<u>2012</u>
Trade license receivable	\$856,814
Provision for doubtful debts	<u>(29,936)</u>
	<u>\$826,878</u>

Provision for doubtful debts is comprised of the following:

Provision, beginning of year	\$ 16,459
Charge for the year	<u>13,477</u>
Provision, end of year	<u>\$ 29,936</u>

6. OTHER LICENSES AND TAXES RECEIVABLE

	<u>2012</u>
Commercial garbage fees	\$277,951
Rental of market stalls	165,822
Peddlers license	104,651
Other licenses and taxes	<u>132,426</u>
	680,850
Provision for doubtful debts	<u>(71,588)</u>
	<u>\$609,262</u>

Provision for doubtful debts is comprised of the following:

Provision, beginning of year	\$ 44,412
Charge for the year	<u>27,176</u>
Provision, end of year	<u>\$ 71,588</u>

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

7. TOURISM RELATED REVENUE

The Belize City Council is entitled to a portion of the head tax levied on cruise tourists who arrive in Belize. These monies are collected by the Belize Tourism Board and paid to the Belize City Council.

8. PROPERTY, PLANT AND EQUIPMENT - NET

Valuation	Land	Building	Computer and office equipment	Furniture and fixtures	Vehicle and machinery	Other equipment	Total
Balance, April 1, 2011	\$37,587,716	\$12,662,229	\$119,889	\$117,581	\$468,800	\$ 92,642	\$51,048,857
Additions	<u>-</u>	<u>-</u>	<u>91,380</u>	<u>18,935</u>	<u>-</u>	<u>55,489</u>	<u>165,804</u>
Balance, March 31, 2012	<u>37,587,716</u>	<u>12,662,229</u>	<u>211,269</u>	<u>136,516</u>	<u>468,800</u>	<u>148,131</u>	<u>51,214,661</u>
Accumulated Depreciation							
Balance, April 1, 2011	-	-	-	-	-	-	-
Additions	<u>-</u>	<u>254,045</u>	<u>42,254</u>	<u>13,652</u>	<u>117,200</u>	<u>14,813</u>	<u>441,964</u>
Balance, March 31, 2012	<u>-</u>	<u>254,045</u>	<u>42,254</u>	<u>13,652</u>	<u>117,200</u>	<u>14,813</u>	<u>441,964</u>
Net Book Value							
March 31, 2012	<u>\$37,587,716</u>	<u>\$12,408,184</u>	<u>\$169,015</u>	<u>\$122,864</u>	<u>\$351,600</u>	<u>\$133,318</u>	<u>\$50,772,697</u>

During 2012, an appraisal of all properties was performed by members of the City Council's Valuation Department. Appraisal of all other assets was performed by members of the Works Department, Information Systems Department and management.

9. BANK OVERDRAFT

Belize City Council maintains a \$2,000,000 bank overdraft facility at Scotiabank (Belize) Limited with interest of 15% per annum. The facility is secured by a mortgage on the Commercial Center. The facility expires on January 31, 2013.

10. ACCOUNTS PAYABLE OTHER

	<u>2012</u>
Severance payable	\$274,637
Statutory payable	<u>236,302</u>
	<u>\$510,939</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

11. LONG TERM DEBT

	<u>2012</u>
Heritage Bank Limited loan of \$3,695,444 repayable over 84 months via equal monthly installments of \$71,066 inclusive of interest at an annual interest rate of 15%. The loan is secured by a Lodgment over Parcel No. 1008, Kings Park Registration Section, Block 45 (BTL Park situated on Princess Margaret Drive) and guaranteed by the Government of Belize in the amount of \$3,900,000.	\$2,184,147
Scotiabank (Belize) Ltd. non-revolving loan of \$1,000,000 repayable over 2 years at the Bank's Corporate Base Lending Rate plus 2% (currently 13% per annum) as determined from time to time. The loan is to be repaid via 1 principal payment of \$40,900 plus interest due on October 22, 2010 followed by 23 equal monthly principal payments of \$41,900 plus interest. The loan is secured by mortgage currently stamped to \$3,750,000 over the Commercial Center Block No. 45, Parcel No. 810 located in downtown Belize City, Fire & Allied Perils Insurance Policy assigned to Scotiabank as loss payee over "Commercial Center" building for \$5,272,200 and Assignment of Subvention dated October 16, 2006 payable by Ministry of Health, Local Government, Transportation & Communications until further advised by Scotiabank.	291,900
Atlantic Bank Limited loan of \$197,000 with interest rate of 15% per annum repayable via 59 equal monthly installments of \$4,700 inclusive of interest. The loan is secured by a continuing lien and/or right of set-off upon any and all money now or thereafter deposited with the Bank.	<u>34,814</u>
Total long term loans	2,510,861
Less current-portion	<u>(940,531)</u>
Long-term portion	<u>\$1,570,330</u>
The loans are payable as follows:	
2013	\$ 940,531
2014	661,676
2015	768,043
2016	<u>140,611</u>
	<u>\$2,510,861</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

12. GOVERNMENT SUBVENTION

	<u>2012</u>
Contribution – cash assistance	\$1,479,696
Contribution – debt service	<u>1,008,744</u>
	<u>\$2,488,440</u>

Cash contributions represent allocations approved by the National Assembly. The monies are disbursed in 12 equal monthly installments of \$123,308 by the Ministry of Local Government until the approved allocation has been exhausted.

The debt service contribution represents payments made by the Government of Belize during the period in relation to the Heritage Bank Limited loan facility held by the Belize City Council. See also Note 11.

13. SEGMENT REPORTING

The Council's administrative functions are discharged by an appointed City Administrator. All departments of the Council report directly to the City Administrator. There are three departments: Finance, Operations and Human Resources. These departments are further divided into operating segments for reporting purposes. These segmented reports are reviewed by the City Administrator to assess performance, allocate resources and make strategic decisions. The reportable segments considered are as detailed in Notes 14 to 31. The accounting policies of the reportable segments are the same as described in Note 2. Segment information represents costs incurred by each segment without allocation of revenues generated.

14. COMMUNITY PARTICIPATION DEPARTMENT

	<u>2012</u>
Salaries	\$1,419
Stationery and supplies	<u>181</u>
	<u>\$1,600</u>

15. FINANCE DEPARTMENT

	<u>2012</u>
Other	\$ 480
Repairs and maintenance	1,213
Salaries	152,575
Stationery and supplies	61,819
Transport and travel	2,065
Utilities	119,206
Vacation grant	500
Vehicle insurance	<u>228</u>
	<u>\$338,086</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

16. GENERAL AND ADMINISTRATIVE

	<u>2012</u>
Bad debt expense	\$ 827,855
Bank charges	996
Depreciation	441,964
Festivities/Celebrations	185,253
Finance charges	687,013
Insurance expense	1,510
Maintenance costs	2,185
Other expense	485,507
Repairs and maintenance	3,959
Severance	6,228
Social assistance and contribution	67,712
Uniform	<u>6,258</u>
	<u><u>\$2,716,440</u></u>

17. HUMAN RESOURCES DEPARTMENT

	<u>2012</u>
Group Health Insurance	\$ 47,283
Other	835
Repairs and maintenance	10,262
Retirement gratuity	270,676
Salaries	257,546
Social activities	83,774
Social security	151,245
Stationery and supplies	12,918
Training	10,202
Transport and travel	2,902
Uniforms	44,245
Vacation grant	<u>7,488</u>
	<u><u>\$899,376</u></u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

18. MARKET DEPARTMENT

	<u>2012</u>
Salaries	\$293,004
Stationery and supplies	11,209
Transport and travel	4,211
Upkeep of Markets	19,641
Utilities	24,161
Vacation grant	<u>250</u>
	<u>\$352,476</u>

19. MECHANICAL DEPARTMENT

	<u>2012</u>
Fuel	\$ 84,537
Repairs and maintenance	1,194
Salaries	102,714
Spare parts	3,237
Vacation grant	<u>904</u>
	<u>\$192,586</u>

20. MANAGEMENT INFORMATION SYSTEMS DEPARTMENT

	<u>2012</u>
MIS Consultancy	\$ 26,400
Repairs and maintenance	9,139
Salaries	98,858
Stationery and supplies	1,553
Transport and travel	<u>3,152</u>
	<u>\$139,102</u>

21. MUNICIPAL COURT

	<u>2012</u>
Legal notices	\$ 10,070
Repairs and maintenance	16,602
Salaries	265,931
Stationery and supplies	23,176
Transport and travel	3,251
Vacation grant	2,000
Vehicle insurance	<u>6,366</u>
	<u>\$327,396</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

22. OFFICE OF THE MAYOR

	<u>2012</u>
Allowance	\$ 55,487
Beautification	6,033
Disaster preparedness	4,351
Donation	32,096
Improvement of property	1,369
Insurance	40,106
Legal and professional fees	110,023
Other	17,580
Repairs and maintenance	19,765
Salaries	361,548
Stationery and supplies	68,255
Transport and travel	6,635
Utilities	51,843
Vacation grant	<u>10,875</u>
	<u>\$785,966</u>

23. PUBLIC RELATIONS DEPARTMENT

	<u>2012</u>
Advertisement	\$105,468
Other	200
Repairs and maintenance	182
Salaries	105,610
Stationery and supplies	19,734
Transport and travel	1,753
Vacation grant	<u>250</u>
	<u>\$233,197</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

24. REVENUE DEPARTMENT

	<u>2012</u>
Other	\$ 14,914
Repairs and maintenance	16,038
Revenue commission	333,556
Salaries	344,771
Stationery and supplies	33,215
Transport and travel	58,629
Vacation grant	750
Vehicle insurance	<u>2,276</u>
	<u>\$804,149</u>

25. SANITATION DEPARTMENT

	<u>2012</u>
Cemetery upkeep	\$ 82,147
Eradication	20,821
Hire of equipment	32,464
Improvement of property	9,904
Other	218
Public Health	257,944
Repairs and maintenance	6,157
Salaries	621,758
Sanitation contracts	3,698,455
Solid waste	3,347,820
Stationery and supplies	6,984
Transport and travel	47,449
Upkeep of latrines	547
Vacation grant	904
Vehicle insurance	<u>827</u>
	<u>\$8,134,399</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

26. SECURITY DEPARTMENT

	<u>2012</u>
Other	\$ 2,404
Repairs and maintenance	6,137
Salaries	500,604
Security service	136,308
Stationery and supplies	3,831
Transport and travel	24,134
Vacation grant	<u>500</u>
	<u>\$673,918</u>

27. SENIOR TOWN PLANNING

	<u>2012</u>
Repairs and maintenance	\$ 1,267
Salaries	163,392
Stationery and supplies	543
Transport and travel	22,350
Vacation grant	4,667
Vehicle insurance	<u>455</u>
	<u>\$192,674</u>

28. SPECIAL EVENTS

	<u>2012</u>
Christmas Concert/New Year/City Fest	\$33,680
Sister City	18,932
Small Business	600
Sports	5,082
Staff welfare	2,217
Summer program	<u>32,755</u>
	<u>\$93,266</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

29. TRAFFIC DEPARTMENT

	<u>2012</u>
License accessories	\$ 256,097
Other	1,261
Repairs and maintenance	33,855
Salaries	737,116
Stationery and supplies	59,274
Traffic maintenance	89,315
Transport and travel	15,970
Utilities	9,560
Vacation grant	2,000
Vehicle insurance	3,380
	<u>\$1,207,828</u>

30. VALUATION DEPARTMENT

	<u>2012</u>
Other	\$ 465
Repairs and maintenance	3,831
Salaries	206,298
Stationery and supplies	30,746
Transport and travel	11,004
Vacation grant	1,000
Vehicle insurance	1,330
	<u>\$254,674</u>

BELIZE CITY COUNCIL

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)**

31. WORKS DEPARTMENT

	<u>2012</u>
Bridge maintenance	\$ 37,181
Implements	17,340
Improvement of properties	26,082
Other	1,132
Parks/playground	6,500
Repairs and maintenance	130,287
Salary	696,810
Spare parts	6,657
Stationery and supplies	13,063
Street maintenance	839,693
Transport and travel	141,493
Utilities	10,215
Vacation grant	500
Vehicle insurance	<u>2,470</u>
	<u>\$1,929,423</u>

32. TAXATION

A General Sales Tax of 12.5% is levied on goods and services. The GST is a tax on consumer spending that is collected in stages, at the point of importation of the business purchases and on the sales of the businesses good and services when the goods are sold or service is provided.

33. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

The categories of financial instruments of the City Council are summarized below:

Financial assets	Loans and Receivables
	<u>2012</u>
Accounts receivable	\$13,050,961
Cash and bank balances	<u>37,917</u>
Total financial assets	<u>\$13,088,878</u>
Financial liabilities	Other Financial Liabilities
	<u>2012</u>
Accounts payable	\$10,184,853
Bank overdraft	1,334,488
Long-term debt	<u>2,510,861</u>
Total financial liabilities	<u>\$14,030,202</u>

BELIZE CITY COUNCIL

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED MARCH 31, 2012 (IN BELIZE DOLLARS)

34. FINANCIAL RISK MANAGEMENT

In accordance with IFRS 7, an entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date. The City Council has exposure to the following risks from its use of financial instruments:

Credit Risk – Credit risk is the risk of loss arising from the failure of residents and business owners to meet their financial obligations to the City Council. The City Council is mitigating this risk through the creation and operation of a Collections Department as well as through the enforcement of revised collection policies and procedures.

The City Council does not have any one residential or business debtor whose balances represent a significant portion of trade receivable. However, a significant portion of trade receivable is due to balances owed by residents in respect of property tax. Please see maximum risk exposure below:

Exposure Category	Carrying Amount
	<u>2012</u>
Property tax receivable	\$15,871,022
Trade license receivable	856,814
Commercial garbage receivable	277,951
Rental of market stalls receivable	165,822
Peddlers license receivable	104,651
Other licenses and taxes receivable	<u>132,426</u>
	<u>\$17,408,686</u>

The movement in the provision for bad debt is disclosed in Notes 4, 5 and 6.

Liquidity Risk - Liquidity risk is the risk that the City Council may encounter difficulties in obtaining funds to meet its commitments and obligations on time. This risk is mitigated through the availability of a \$2,000,000 overdraft facility held at Scotiabank (Belize) Limited. Also, the City Council's long-term debt facility held at Heritage Bank is guaranteed and is currently being serviced by the Government of Belize.

The table below analyzes liabilities of the City Council into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Within 3 months	3 months to 1 year	1 to 5 years	Total
	\$	\$	\$	\$
Bank overdraft	1,334,488	-	-	1,334,488
Accounts payable	10,184,853	-	-	10,184,853
Long-term debt	316,245	624,286	1,570,330	2,510,861
	<u>11,835,586</u>	<u>624,286</u>	<u>1,570,330</u>	<u>14,030,202</u>

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