

# **Belize City Council**

**Financial statements  
31 March 2014**

BELIZE CITY COUNCIL

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FINANCIAL STATEMENTS  
31 MARCH 2014

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**REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBERS OF  
BELIZE CITY COUNCIL**

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**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 31 March 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*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 as applied to public sector entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' 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 auditors consider 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.

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

**REPORT OF THE INDEPENDENT AUDITORS continued***Basis for Qualified Opinion*

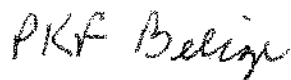
The Belize City Council Act, Chapter 85 of the Laws of Belize, provides for termination benefits to be paid to employees in the form of a defined benefit plan. Management has decided to continue to account for the defined benefit plan under a cash basis of accounting rather than on an accrual basis of accounting. The financials consequently do not recognize the future obligations of the Council in respect of the pension benefits that would be payable to employees in the future.

*Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Belize City Council as of 31 March 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as applied to public sector entities.

*Other matter*

The financial statements of Belize City Council for the year ended 31 March 2013 were audited by another auditor who has not yet issued an opinion on those statements.

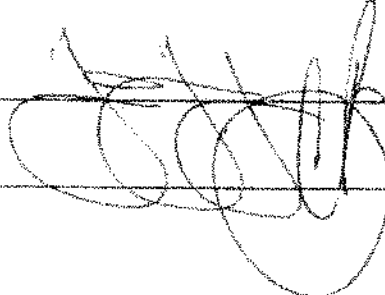



**PKF Belize**  
**Chartered Accountants**  
**Belize City**  
**12 December 2014**

**STATEMENT OF FINANCIAL POSITION**  
**31 MARCH 2014**

	Notes	2014	2013 (Restated)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,234,431	5,575,076
Inventories	4	53,497	64,444
Trade and other receivables	5	10,801,156	10,316,551
		<u>14,089,084</u>	<u>15,956,071</u>
<b>Non-current assets</b>			
Property and equipment	6	70,910,637	57,420,527
		<u>84,999,721</u>	<u>73,376,598</u>
<b>Total assets</b>	BZ\$	<b>84,999,721</b>	<b>73,376,598</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Trade and other payables	7	11,950,560	11,675,536
Deferred income	8	9,853,387	8,291,940
Current portion of borrowings	9	1,741,346	661,676
		<u>23,545,293</u>	<u>20,629,152</u>
<b>Non-current liabilities</b>			
Borrowings	9	21,615,753	13,183,324
Gratuity/Sovereance payable	10	1,893,889	1,682,734
		<u>23,709,642</u>	<u>14,866,058</u>
<b>Total liabilities</b>		<b>47,254,935</b>	<b>35,495,210</b>
<b>Net assets</b>			
General fund		37,744,786	37,881,387
		<u>37,744,786</u>	<u>37,881,387</u>
<b>Total liabilities and net assets</b>	BZ\$	<b>84,999,721</b>	<b>73,376,597</b>

Approved on behalf of the Belize City Council:

  
 \_\_\_\_\_ Mayor  
  
 \_\_\_\_\_ City Administrator

*Independent auditors' report pages 1 and 2.*

*The notes on pages 7 to 25 form an integral part of these financial statements.*

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**STATEMENT OF FINANCIAL PERFORMANCE**  
**YEAR ENDED 31 MARCH 2014**


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	Notes	2014	2013 (Restated)
<b>REVENUE</b>			
Building permits		107,631	147,065
Cemetery		139,541	174,020
Donations		425,274	171,600
Government subvention	9	4,208,211	2,197,294
Interest income		37,813	3,981
Liquor license fees		638,440	542,209
Other income		292,486	1,081,579
Property tax revenue		9,394,531	7,268,726
Rental revenue		564,397	494,979
Tourism related revenue		1,428,712	1,467,154
Trade license fees		4,482,541	3,970,625
Traffic related revenue		3,823,765	4,450,762
		<u>25,543,342</u>	<u>21,969,994</u>
<b>EXPENDITURE</b>			
Finance and administrative department	13	6,102,865	4,669,846
Human resource management department	14	1,391,421	1,010,058
Market department	15	255,210	207,408
Mechanical department	16	96,023	88,656
Management information systems department	17	174,686	174,101
Municipal court department	18	428,285	365,789
Office of the Mayor department	19	3,332,564	2,100,039
Public relations department	20	405,155	276,419
Revenue department	21	753,370	808,096
Sanitation department	22	7,587,229	9,065,870
Security department	23	762,222	582,588
Senior town planning department	24	98,743	119,019
Traffic department	25	1,079,517	1,179,396
Valuation department	26	267,626	284,244
Works department	27	2,945,027	3,016,424
		<u>25,679,943</u>	<u>23,939,953</u>
Deficit for the year	BZ\$	<u>(136,601)</u>	<u>(1,969,959)</u>

*The notes on pages 7 to 25 form an integral part of these financial statements.*

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**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED 31 MARCH 2014**


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	Notes	General fund	Total net assets
Balance at 31 March 2012, as previously reported		44,684,209	44,684,209
Prior year adjustments:			
Deferred income liability from traffic department understated		(1,204,065)	(1,204,065)
Gratuity accrual understated		(921,360)	(921,360)
Sanitation expenses understated		(2,707,438)	(2,707,438)
Balance at 31 March 2012, as restated		<u>39,851,346</u>	<u>39,851,346</u>
Deficit for the year ended 31 March 2012, as previously reported		(9,898,629)	(9,898,629)
Prior year adjustments	30	7,928,670	7,928,670
Deficit for the year ended 31 March 2012, as restated		<u>(1,969,959)</u>	<u>(1,969,959)</u>
Balance at 31 March 2013, as restated		37,881,387	37,881,387
<b>Deficit for the year</b>		<b>(136,601)</b>	<b>(136,601)</b>
<b>Balance at 31 March 2014</b>	<b>BZ\$</b>	<b><u>37,744,786</u></b>	<b><u>37,744,786</u></b>

*The notes on pages 7 to 25 form an integral part of these financial statements.*

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 MARCH 2014**

	Notes	2014	2013 Restated
<b>Cash flows from operating activities</b>			
Deficit for the year		(136,601)	(1,969,959)
Adjustments for non-cash income and expenses			
Depreciation	6	981,722	207,408
Loss on disposal of property and equipment		181,097	-
Gratuity/Severance provision	10	211,155	486,738
		<u>1,237,373</u>	<u>(1,275,813)</u>
Changes in working capital:			
(Increase) Decrease in trade and other receivables		(484,605)	1,530,345
Decrease in inventories		10,947	52,337
Increase (decrease) in trade and other payables		275,024	(2,080,217)
Increase in deferred income		1,561,447	3,027,995
		<u>2,600,186</u>	<u>1,254,647</u>
Gratuity/Severance paid		-	(196,389)
<b>Net cash generated from operating activities</b>		<u>2,600,186</u>	<u>1,058,258</u>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	6	(14,671,802)	(6,855,238)
Proceeds from sale of property and equipment		18,875	-
<b>Net cash used in investing activities</b>		<u>(14,652,927)</u>	<u>(6,855,238)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowing		10,200,000	11,888,848
Repayments of borrowings		(487,904)	(554,709)
<b>Net cash from financing activities</b>		<u>9,712,096</u>	<u>11,334,139</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<u>(2,340,645)</u>	<u>6,537,159</u>
Cash and cash equivalents at beginning of the year		5,575,076	37,917
<b>Cash and cash equivalents at end of the year</b>	BZ\$	<u>3,234,431</u>	<u>5,575,076</u>
<b>Represented by:</b>			
Cash on hand and at bank	BZ\$	<u>3,234,431</u>	<u>5,575,076</u>

*The notes on pages 7 to 25 form an integral part of these financial statements.*



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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**

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**1. GENERAL INFORMATION**

Mayor and Councillors:

Executive Mayor - Mr. Darrell Bradley (Revenue, Finance and Human Resources)  
 Deputy Mayor - Bernard Q Pitts (Management Information Systems)  
 Alifa Elrington-Hyde (Court, Special Events and Culture, Human Resources and Traffic)  
 Dion Leslie (Sanitation and Sister City Relations)  
 Dr. Alain Gonzalez (Public Health and After School Program)  
 Roger Espejo (Economic Development, Investment, Tourism and Small Business Initiative)  
 Dean Samuels (Works, South-side and North-side)  
 Michael Theus (Public Relations)  
 Kevin Singh (Market, Public Spaces & Beautification and Zoning & Planning)  
 Philip Willoughby (Security & CEMO)  
 Eric Chang (Councillor)

Administration:  
 City Administrator - Candice Miller  
 Director of Finance - Marilyn Ordóñez

The Belize City 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 Belize City Council Act, to do all things necessary to carry out such trust and in particular has the power and authority to (a) establish, regulate, control, maintain and manage markets, slaughter-houses, bath-houses and wash-houses; (b) to impose rents and fees upon persons using or benefited by such markets, slaughter-houses, bath-houses and wash-houses; (c) To impose such restrictions upon owners of land as may be necessary to prevent any building upon such land from being or becoming a danger to surrounding properties; (d) to undertake the marking and numbering of lots, houses, buildings and yards; (e) to establish, maintain and control parks, gardens, squares and open spaces within Belize City; (f) to erect and maintain a building required for public purposes; (g) to establish, maintain and control a public library; (h) to manage and dispose of any lands, buildings or other property acquired or owned by the Council for public purposes; and (i) to do all such other things or matters for the purpose of increasing the convenience and amenity of Belize City.

The Council is obliged 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; (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 the public health would, in the opinion of the Council, be endangered by such an operation

The Council is a body incorporated under the Belize City Council Act, Chapter 85 of the Laws of Belize (Revised Edition 2000)

Its administrative offices is located at City Hall, North Front Street, Belize City, Belize.

These financial statements were authorized for issue by the Council on 12 December 2014.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparing the financial statements**

The financial statements of the Council have been prepared in accordance with International Financial Reporting Standards (IFRS) as applied to public sector entities. They have been prepared under the historical cost convention. The principal accounting policies, applied in the preparation of these financial statements are set out in the following paragraphs.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.1 Basis of preparing the financial statements**

The preparation of financial statements in conformity with IFRS as applied to public sector entities 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 judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in Note 3.

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 suppliers of goods and services to the Council.

**2.2 Foreign currency translation****(a) Functional and presentation currency**

Items included in the 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.

**(b) 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 the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised 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.

**2.3 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand and at bank, bank overdrafts, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within current liabilities on the statement of financial position.

**2.4 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.

**2.5 Inventories**

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 is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 Property and equipment**

Property and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an 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 on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the reducing balance method. The rates used are as follows:

Buildings	2%
Infrastructure	3%
Computer and office equipment	20%
Furniture and fixtures	10%
Other equipment	10%
Machinery and Vehicles	10 - 25%

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, 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 asset's carrying amount is greater than its estimated recoverable amount.

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

**2.7 Impairment of non-financial assets other than inventories**

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**2.8 Financial assets**

**(a) Initial recognition and measurement**

The Council classifies its financial assets in the following categories: at fair value through the statement of financial performance, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.8 Financial assets (continued)****(b) Subsequent measurement**

The subsequent measurement of financial assets depends on their classification.

**(i) Financial assets at fair value through the statement of financial performance**

Financial assets at fair value through the statement of financial performance are financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the short term. At the date of the statement of financial position, the Council held no financial assets at fair value.

**(ii) Loans and receivables**

Loans 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, 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 effective interest rate. Losses arising from impairment are recognized in the statement of financial performance.

**(iii) Available for sale**

Available for sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. At the date of the statement of financial position, the Council held no available for sale financial assets.

**(c) Derecognition**

The Council derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

(i) The rights to receive cash flows from the asset have expired or is waived.

(ii) The Council has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the Council has transferred substantially all the risks and rewards of the asset; or (b) the Council has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

**2.9 Borrowings**

Borrowings are recognized initially at the transaction price, that is, 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 Council has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Interest is charged to expense in the period incurred

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.10 Trade payables**

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

**2.11 Borrowing costs**

Borrowing costs is recognised on the basis of the effective interest method and is included in finance costs in the statement of financial performance.

**2.12 Employee benefits****Severance/Gratuity obligations.**

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

The 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 1 May 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 was qualified for payment of severance or gratuity as outlined above dies while still in the employment of an employer, 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, government employees are entitled to a pension under a defined benefit plan. Defined benefit plans define an 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 defined benefit obligation is calculated at least every 3 years by independent actuaries using the projected unit credit method. The employer recognizes the actuarial amount as a liability and any actuarial gains or losses is recognized in the statement of financial performance.

The Council recognizes pensions payable to employees on a cash basis, that is, when it pays the pensions to its retired employees.

**2.13 Revenue 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 in the following paragraphs.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.13 Revenue recognition (continued)**

(a) Revenue from taxes, fees, licenses, fines and asset-exchange transactions:

The Council recognizes revenue from taxes, fees, licenses, fines and asset-exchange transactions when the event occurs and the asset recognition criteria are met. To the extent that the revenue 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.

(b) Government subventions:

Revenues from government 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.

(c) Revenue from the rendering of services.

The Council recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

(d) Interest income

Interest income is recognized using the effective yield method.

(e) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and included in revenues in the statement of financial performance.

**2.14 Leases**

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 stalls at the Michael Finnegan market, lots and other Council spaces and properties under operating leases.

**2.15 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.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2014**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.16 Contingent liabilities**

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 a note to the financial statements.

**2.17 Taxes**

Section 8 (1) (c) of the Income and Business Tax Act, Chapter 55 of the Laws of Belize, exempts the Council from taxes on any income in so far as such income is not derived from a trade or business

**2.18 Comparative Information**

Where necessary, comparative amounts have been reclassified to conform with changes in presentation in the current year.

**3. INFORMATION ABOUT KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including future expectations.

**Key sources of estimation uncertainty**

The Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**(a) The collectability of loans and receivables**

The Council assesses the collectability of its loans and receivables at the end of each reporting period. In determining whether an impairment loss should be recorded in statement of financial performance, the Council evaluates the indicators present in the market to determine if they are indicative of impairment.

Where specific impairments have not been identified, impairment is calculated on a portfolio basis based on historical experience.

**(b) Gratuity/Severance**

Provisions are estimated based on the information available.

Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the reporting date.

		2014	2013
<b>4. INVENTORIES</b>			
Traffic department supplies	BZ\$	53,497	64,444
		*****	*****

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**

	2014	2013
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Property taxes receivable	10,844,571	9,370,107
Trade license receivable	3,017,091	2,982,951
Tourism related revenues receivable	1,113,191	658,957
Garbage fee receivables	345,888	387,066
Liquor license	300,863	308,320
Rent Receivables	488,626	482,354
Staff receivable	176,760	143,570
Other receivables	435,806	506,027
	<u>16,522,796</u>	<u>14,839,352</u>
Provision for impairment of receivables	<u>(5,721,640)</u>	<u>(4,522,801)</u>
	<b>BZ\$ 10,801,156</b>	<b>10,316,551</b>

Movements on the entity's provision for impairment of receivables are as follows:

At 1 April	4,522,801	5,258,258
Provision for receivables impairment	1,198,839	2,661,457
Receivables written off during the year as uncollectible	-	(3,396,914)
	<u>5,721,640</u>	<u>4,522,801</u>
At 31 March	<b>BZ\$ 5,721,640</b>	<b>4,522,801</b>

**6. PROPERTY AND EQUIPMENT**

	Land and building	City streets and drains infrastructure	Furniture and fixtures	Vehicle and machinery	Computers, office and other equipment	Work in Progress (streets and drains)	Total
<b>Cost</b>							
At 31 March 2013	51,018,905	4,949,678	119,921	776,727	384,196	1,231,702	58,481,128
Additions	853,014	11,045,481	151,740	124,627	133,109	2,363,831	14,671,802
Disposals	(120,377)	-	(222)	(125,333)	(17,173)	-	(263,105)
Transfers	1,231,702	-	-	-	-	(1,231,702)	-
<b>At 31 March 2014</b>	<u>51,751,542</u>	<u>15,995,159</u>	<u>271,439</u>	<u>776,021</u>	<u>500,131</u>	<u>3,595,533</u>	<u>72,889,825</u>
<b>Accumulated depreciation</b>							
At 31 March 2013	518,081	149,975	21,938	264,884	105,723	-	1,060,601
Charge for the year	269,154	480,109	24,954	141,493	66,012	-	981,722
Written back on disposal	(4,847)	-	(42)	(54,834)	(3,612)	-	(63,135)
<b>At 31 March 2014</b>	<u>782,588</u>	<u>630,084</u>	<u>46,850</u>	<u>351,543</u>	<u>168,123</u>	<u>-</u>	<u>1,979,188</u>
<b>Carrying amount</b>							
At 31 March 2013	BZ\$ 50,500,824	4,799,703	97,983	511,843	278,472	1,231,702	57,420,527
At 31 March 2014	<u>BZ\$ 50,968,954</u>	<u>15,365,075</u>	<u>224,589</u>	<u>424,478</u>	<u>332,008</u>	<u>3,595,533</u>	<u>70,910,637</u>



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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**


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	2014	2013
<b>7. TRADE AND OTHER PAYABLES</b>		
Trade payable	6,553,220	9,147,414
Other payables and accruals	5,151,958	2,374,922
Escrow funds held from property liquidation	245,382	153,200
	<u>BZ\$ 11,950,560</u>	<u>11,675,536</u>
	=====	=====

**8. DEFERRED INCOME**

Property tax	4,377,923	3,212,199
Trade licence	3,112,691	2,942,917
Liquor licence	382,525	383,233
Traffic licence	1,980,248	1,753,591
	<u>BZ\$ 9,853,387</u>	<u>8,291,940</u>
	=====	=====

Deferred income represents prepaid taxes and licenses. As an incentive for early and full payment, the Council offers discounts on prepayments.

**9. BORROWINGS**

Municipal bonds series No. 1 of issue No. 1, interest rate of 3.5%, maturing on December 24, 2014.	1,000,000	1,000,000
Municipal bonds series No. 2 of issue No. 1, interest rate of 5.5%, maturing on December 24, 2017.	3,000,000	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	-
Municipal bonds series No. 3 of issue No. 2, interest rate of 8%, maturing on May 24, 2023.	3,172,000	-
Municipal bonds series No. 1 of issue No. 3, interest rate of 3.5%, maturing on September 6, 2015.	500,000	-
Municipal bonds series No. 2 of issue No. 3, interest rate of 5.5%, maturing on September 6, 2018.	500,000	-
Municipal bonds series No. 2 of issue No. 3, interest rate of 5.5%, maturing in November 2018	1,528,000	-
Municipal bonds series No. 3 of issue No. 3, interest rate of 8%, maturing in November 2023.	2,300,000	-
Total municipal bonds	<u>20,000,000</u>	<u>10,000,000</u>
Bank loan, secured, to assist with infrastructure development, repayable by equal monthly instalments of \$71,066, inclusive of interest.	3,357,099	3,845,000
Advances from the Ministry of Finance, interest-free, repayable within 12 months.	200,000	-
	<u>23,557,099</u>	<u>13,845,000</u>
Less: Current portion	(1,741,346)	(661,676)
	<u>BZ\$ 21,815,753</u>	<u>13,183,324</u>
	=====	=====

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**


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	2014	2013
<b>9. BORROWINGS (continued)</b>		
Borrowings are repayable as follows:		
2014	-	661,674
2015	1,741,346	1,768,043
2016	1,097,390	697,390
2017	660,586	660,586
2018 and thereafter	20,057,777	10,157,307
	<b>BZ\$ 23,557,099</b>	<b>13,845,000</b>
	=====	=====

**10. GRATUITY/SEVERANCE PAYABLE**

At 1 April	1,682,734	1,392,385
Additions	211,155	486,738
Gratuity/Severance paid	-	(196,389)
At 31 March	<b>BZ\$ 1,893,889</b>	<b>1,682,734</b>
	=====	=====

**11. GOVERNMENT SUBVENTION**

Contributions in cash	1,484,500	1,484,500
Contributions in debt service	612,794	712,794
Contributions - infrastructure	2,110,517	-
	<b>BZ\$ 4,208,211</b>	<b>2,197,294</b>
	=====	=====

(a) Cash contributions represent allocations approved by the National Assembly. The monies are disbursed in 12 equal monthly instalments of \$123,708 by the Ministry of Local Government.

(b) The debt service contributions represents payments made by the Government of Belize during the period towards the bank loan owed by the Council.

(c) Infrastructure contributions represent payments made by the Government of Belize towards the completion of Belize City streets.

**12. SEGMENT REPORTING**

The Council's administrative functions are carried out by the City Administrator. All the Council's departments report directly to the City Administrator.

For management purposes, the Council is organized into 15 departments, based on the activities they perform.

The City Administrator monitors the expenditures incurred by each department for the purpose of making decisions about resource allocation and performance assessment. Segment information represents costs incurred by each segment without allocation of revenues earned, measured consistently with the accounting policies applied in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**

	2014	2013
<b>13. FINANCE DEPARTMENT EXPENDITURES</b>		
Advertisement	7,975	-
Consultant expenses	58,969	13,050
Depreciation	981,722	424,109
Donation	48,222	-
Festivities/Celebrations	10,573	391,354
Financial expenses	1,838,895	712,638
Fuel	100,436	2,205
Implements	3,668	202
Insurance expense	10,079	2,880
Loss on disposal of assets	181,097	125,091
Materials and supplies	204,642	47,389
Miscellaneous	23,038	(254,341)
Pension	2,185	-
Provision for uncollectible receivables	1,198,838	2,661,457
Rent and leases	565	-
Repairs and maintenance	52,702	19,563
Salaries	987,387	226,742
Severance	-	196,389
Social assistance and contribution	9,868	-
Staff benefits	131,752	-
Training	8,737	-
Utilities	241,495	91,118
	<b>BZ\$ 6,102,865</b>	<b>4,659,846</b>
	*****	*****
<b>14. HUMAN RESOURCE MANAGEMENT EXPENDITURES</b>		
Advertising	4,025	310
Celebration and festivities	358,812	-
Commission	800	-
Donation	205	-
Fuel expenses	8,336	19,387
Implements	419	65
Insurance	72,509	59,896
Materials and supplies	74,727	12,946
Other	92	13,116
Pension and gratuity	396,562	185,077
Rent and leases	372	-
Repairs and maintenance	8,704	9,556
Salaries	220,269	351,111
Severance/Gratuity	211,154	290,349
Social assistance and contribution	13,069	-
Staff benefits	13,948	72,496
Training	2,282	5,659
Transport and travel	1,488	90
Utilities	3,648	-
	<b>BZ\$ 1,391,421</b>	<b>1,010,058</b>
	*****	*****

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**


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	2014	2013
<b>15. MARKET DEPARTMENT EXPENDITURES</b>		
Fuel	1,841	1,645
Implements	1,047	-
Insurance	40,461	26,361
Materials and supplies	11,727	6,936
Miscellaneous	9,777	18,034
Rent	150	-
Repairs and maintenance	29,174	2,638
Salaries and staff benefits	98,608	140,817
Transport and travel	130	525
Utilities	62,295	10,452
	<b>BZ\$ 255,210</b>	<b>207,408</b>
	=====	=====

**16. MECHANICAL DEPARTMENT EXPENDITURES**

Fuel	-	232
Implements	2,291	3,229
Insurance	-	929
Materials and supplies	4,605	-
Repairs and maintenance	40,196	21,904
Salaries	46,643	63,062
Staff benefits	2,268	-
	<b>BZ\$ 96,023</b>	<b>88,656</b>
	=====	=====

**17. MANAGEMENT INFORMATION SYSTEM DEPARTMENT EXPENDITURES**

Fuel	4,916	4,621
Implements	-	130
Insurance	-	2,536
Material and supplies	10,277	-
MIS Consultancy	4,350	15,400
Other	135	95
Repairs and maintenance	16,844	17,260
Salaries	132,155	122,360
Staff benefits	5,543	-
Stationery and supplies	-	11,214
Transport and travel	406	485
Utilities	61	-
	<b>BZ\$ 174,686</b>	<b>174,101</b>
	=====	=====

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**


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	2014	2013
<b>18. MUNICIPAL COURT DEPARTMENT EXPENDITURES</b>		
Advertisement	7,544	-
Donations	334	-
Fuel	3,840	7,024
Implements	321	-
Insurance	157	493
Legal notices	-	-
Materials and supplies	20,300	25,299
Miscellaneous	1,177	1,766
Repairs and Maintenance	7,865	12,933
Salaries	335,729	315,905
Social assistance and contribution	1,400	-
Staff benefit	19,532	-
Transport and travel	762	-
Utilities	29,324	2,369
	<b>BZ\$ 428,285</b>	<b>365,789</b>
	=====	=====

**19. OFFICE OF THE MAYOR DEPARTMENT EXPENDITURES**

Advertisement	16,135	-
Beautification	79,117	13,145
Celebration and festivities	10,804	-
Commission	300	1,392
Disaster preparedness	-	13,261
Donations	136,824	135,007
Financial Expenses	1,103	81,196
Fuel	4,261	-
Implements	1,222	4,131
Insurance	2,507	40,235
Legal and professional fees	1,309,143	489,850
Materials and supplies	44,702	113,047
Miscellaneous	50,624	82,104
Pension	-	3,283
Rent and leases	1,313	-
Repairs and maintenance	281,761	136,429
Remuneration of Mayor and Councillors	381,535	381,535
Salaries	-	409,793
Social assistance and contribution	863,874	-
Staff benefits	33,329	78,033
Training	3,625	-
Transport and travel	87,567	21,179
Utilities	12,720	95,153
Vehicle expenses	10,098	1,266
	<b>BZ\$ 3,332,564</b>	<b>2,100,039</b>
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**


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	2014	2013
<b>20. PUBLIC RELATIONS DEPARTMENT EXPENDITURES</b>		
Advertisement	235,109	162,752
Celebration and festivities	6,783	-
Fuel	3,756	2,129
Implements	735	70
Miscellaneous	29	79
Materials and supplies	34,631	30,088
Repairs and maintenance	253	3,543
Salaries	117,871	78,950
Staff benefits	3,931	-
Social assistance and contributions	265	-
Training	102	-
Transport and travel	1,130	808
Utilities	560	-
	<b>BZ\$ 405,155</b>	<b>278,419</b>
	=====	=====

**21. REVENUE DEPARTMENT EXPENDITURES**

Advertising	-	46
Consultancy	2,000	-
Celebration and festivities	500	-
Board expenses	71,036	-
Financial expenses	200	-
Fuel	(4,004)	20,657
Material and supplies	36,849	18,498
Miscellaneous	1,711	6,914
Repairs and maintenance	1,126	14,085
Commission	376,642	381,462
Salaries	254,999	361,822
Staff benefit	11,510	-
Transport and travel	439	135
Insurance	362	4,477
	<b>BZ\$ 753,370</b>	<b>808,096</b>
	=====	=====

**22. SANITATION DEPARTMENT EXPENDITURES**

Cemetery upkeep	89,500	27,734
Celebration and festivities	48	-
Donation	230	-
Fuel	56,858	50,996
Hire of equipment	18,590	14,859
Implements	13,409	6,927
Improvement of property	4,032	13,873
Insurance	1,025	2,566

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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**


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	2014	2013
<b>22. SANITATION DEPARTMENT EXPENDITURES (continued)</b>		
Other	36	4,654
Pension	-	823
Repairs and maintenance	70,010	34,735
Salaries	508,205	483,135
Sanitation contracts	6,785,740	8,422,444
Social assistance and contribution	2,318	-
Materials and supplies	14,174	2,949
Transport and travel	-	90
Staff benefits	22,528	1,085
Utilities	526	-
	<b>BZ\$ 7,587,229</b>	<b>9,065,870</b>
	=====	=====

**23. SECURITY DEPARTMENT EXPENDITURES**

Fuel	14,789	22,797
Celebration and festivities	70	
Consultancy	76,913	
Implements	562	1,384
Insurance	362	1,991
Material and supplies	12,280	9,843
Other	2,544	592
Repairs and maintenance	2,688	13,204
Salaries	627,439	512,773
Security	-	15,975
Social assistance and contributions	90	
Staff benefits	22,655	3,884
Transport and travel	1,830	145
	<b>BZ\$ 762,222</b>	<b>582,568</b>
	=====	=====

**24. SENIOR TOWN PLANNING DEPARTMENT EXPENDITURES**

Consultancy	1,100	-
Fuel	12,098	21,041
Implements	849	529
Insurance	689	683
Materials and supplies	941	3,328
Miscellaneous	3,438	-
Repairs and maintenance	3,709	153
Salaries	68,624	92,414
Staff benefits	6,719	-
Transport and travel	576	871
	<b>BZ\$ 98,743</b>	<b>119,019</b>
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**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2014**


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	2014	2013
<b>25. TRAFFIC DEPARTMENT EXPENDITURES</b>		
Consultancy	3,750	-
Financial expenses	9,098	-
Fuel	35,362	26,806
Implements	5,120	8,298
Insurance	3,487	6,021
Materials and supplies	237,944	444,316
Other	69	1,588
Repairs and maintenance	61,224	35,850
Salaries	661,868	647,633
Staff benefits	31,912	2,414
Transport and travel	-	635
Utilities	29,683	5,935
	<b>BZ\$ 1,079,517</b>	<b>1,179,396</b>
	=====	=====
<b>26. VALUATION DEPARTMENT EXPENDITURES</b>		
Advertising	-	4,556
Consultancy	2,950	-
Financial expenses	240	-
Fuel	7,506	7,556
Implements	998	244
Insurance	1,340	2,790
Materials and supplies	19,604	29,572
Miscellaneous	41	-
Repairs and maintenance	4,259	4,174
Salaries	215,579	231,721
Staff benefits	11,206	-
Transport and travel	3,903	3,631
	<b>BZ\$ 267,626</b>	<b>284,244</b>
	=====	=====
<b>27. WORKS DEPARTMENT EXPENDITURES</b>		
Bridge maintenance	24,779	12,472
Celebration and festivities	1,150	-
Donation	150	-
Equipment rental	550	6,600
Fuel Expense	139,947	144,302
Implements	9,447	8,327
Improvement of properties	-	240
Insurance	6,580	7,167
Material and supplies	37,899	50,640
Other	(2,767)	1,292
Parks/playground	7,826	6,451
Repairs and maintenance	181,141	103,093



**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2014**

	2014	2013
<b>27. WORKS DEPARTMENT EXPENDITURES (continued)</b>		
Salaries	622,826	602,727
Social assistance and contribution	16,351	-
Staff benefits	36,054	-
Street maintenance	1,836,130	2,065,888
Transport and travel	-	1,500
Utilities	26,962	5,725
	<b>BZ\$ 2,945,027</b>	<b>3,016,424</b>

**28. EMPLOYEES SALARIES AND BENEFITS**

Gratuities/Severance	426,857	475,426
Pensions paid	183,043	359,052
Salaries and wages	4,915,104	4,663,715
Social security costs	236,347	267,060
Staff benefits	120,448	56,474
Total	<b>BZ\$ 5,881,799</b>	<b>5,821,727</b>

**29. KEY MANAGEMENT COMPENSATION**

Key management includes the Mayor, Councillors and key members of management. The compensation paid to key management for employee services was:

<b>BZ\$</b>	<b>429,255</b>	<b>381,535</b>
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**30. RESTATEMENT**

	March 31, 2013 as previously reported	Adjustments	March 31, 2013 restated
Property and equipment understated	51,389,126	6,031,401	57,420,527
Trade and other payables understated	9,543,889	(2,602,673)	12,146,562
Deferred income understated	7,300,511	(991,429)	8,291,940
Gratuity/Severance payable understated	471,026	(1,211,708)	1,682,734
Trade and other receivables understated	8,446,335	1,870,216	10,316,551
General fund understated	34,785,580	(3,095,808)	37,881,388
Revenues understated	21,665,826	304,168	21,969,994
Human Resources expenses understated	719,709	(290,349)	1,010,058
Finance and administrative expenses overstated	6,438,529	1,778,683	4,659,846
Sanitation expenses understated	8,382,469	(683,401)	9,065,870
Works expenses overstated	9,835,993	6,819,569	3,016,424
Deficit for the year overstated	<b>9,898,629</b>	<b>(7,928,670)</b>	<b>1,969,959</b>

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2014**

<b>31. COMMITMENTS</b>	<b>2014</b>	<b>2013</b>
<b>Committed but not contracted</b>		
Infrastructure	-	75,747
<b>Committed but not contracted</b>		
Infrastructure	3,128,200	962,625
Sanitation	10,065,822	15,984,566

**32. CONTINGENCIES**

A claim has been filed against the Council whereby the Court is being requested to order that the Council pay the Claimant BZ\$172,495 together with interest (or such other sums as the Court finds to be owing) for proceeds from the sale of a property which exceeded the tax liability and costs owed by the Claimant. The matter is now at the case management stage and a trial date is to be set in the near future.

In July 2013, the Court ordered the Council to settle a judgement debt in favour of a sanitation contractor, amounting to BZ\$1.2 million. The Council was required to pay a half of the settlement amount within 14 days of 15th July 2013 and the balance on or before 20th December 2013. In addition to the settlement amount, the Council was ordered to pay costs. To date the City Council has complied with the Court order and the Claimant has been paid in full.

**33. FINANCIAL RISK MANAGEMENT**

The Council's activities exposes it to mainly two financial risks: credit risk and liquidity risk

(a) Credit risk

Credit risk is the risk of suffering financial loss, should any of the city residents and business owners fail to fulfil their obligations to the Council. Credit risk arises mainly from the possibility of the Council not collecting the amounts receivables reported below.

	2014	2013
Property tax receivable	7,259,922	6,834,900
Trade license receivable	1,531,813	1,650,704
Tourism related revenues receivable	1,113,191	658,957
Garbage fee receivables	205,537	321,265
Liquor license	15,668	30,950
Rent Receivables	249,560	336,802
Staff receivable	176,760	143,570
Other receivables	248,705	339,403
	<b>BZ\$ 10,601,156</b>	<b>10,316,551</b>
	*****	*****

The Council has set up a Collection Department to manage its credit risk. The Collection Department has established collection policies and procedures and as a last resort, will place a lien on taxpayers property to collect overdue amounts.

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31 MARCH 2014**

**33. FINANCIAL RISK MANAGEMENT (continued)**

(b) Liquidity risk

Liquidity risk is the risk that the Council is unable to meet its obligations when they fall due as a result of taxes not being paid or collected on time, the cash requirements needed to meet contractual commitments or debt maturities.

The Mayor, Councillors and City Administrator manages the Council's liquidity risk by securing bank overdraft facilities and sourcing the financial support of businesses, citizens and central government.

The following table presents the Council's liabilities into groupings based on the items maturity dates after the end of the financial reporting dates:

2014		< 3 months	3 -12 months	1-5 years	> 5 years	Total
Trade and other payables	11,950,560	-	-	-	-	11,950,560
Deferred income	2,463,347	7,390,040	-	-	-	9,853,387
Borrowings	-	1,741,346	10,343,753	11,472,000	-	23,557,099
Gratuity and pension payable					1,893,889	1,893,889
<b>Total liabilities</b>	<b>BZ\$</b>	<b>14,413,907</b>	<b>9,131,386</b>	<b>10,343,753</b>	<b>13,365,889</b>	<b>47,254,935</b>
2013		< 3 months	3 -12 months	1-5 years	> 5 years	Total
Trade and other payables	11,675,536	-	-	-	-	11,675,536
Deferred income	2,072,985	6,218,955	-	-	-	8,291,940
Borrowings	-	661,674	7,183,326	6,000,000	-	13,845,000
Gratuity and pension payable					1,682,734	1,682,734
<b>Total liabilities</b>	<b>BZ\$</b>	<b>13,748,521</b>	<b>6,880,629</b>	<b>7,183,326</b>	<b>7,682,734</b>	<b>35,495,210</b>