



**Cedric D. Flowers**  
Certified Public Accountant

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# Belmopan City Council

Financial Statements

Year Ended March 31, 2018

International Financial Reporting Standards (IFRS)



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## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of the Belmopan City Council**

### **Report on the Audit of the Financial Statements**

#### **Adverse Opinion**

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

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report, the accompanying financial statements **do not** present fairly the financial position of the Council as of March 31, 2018, and its activities and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### **Basis for Adverse Opinion**

Pervasive Uncertainty and Lack of Substantiation Regarding Key Balances and Transactions:

- **InnovaBel Land Liability:** As disclosed in Note 2.10 and Note 16, the Council has recorded a liability "Due to Government of Belize" related to the acquisition of the InnovaBel land based on an internal valuation of \$5,522,660. This amount is subject to significant uncertainty pending confirmation from the Government. The lack of external validation for this material liability impacts the fair presentation of liabilities and potentially the carrying value of Investment Property.
- **Unauthorized and Undocumented Sale of Infrastructure Land:** As detailed in Note 2.11 and Note 16, the Council engaged in sales of infrastructure lands without formal Council approval. Losses on these disposals were recognized based on internal valuations, and the "Land" fixed asset was reduced by proportionate carrying amounts. Revaluation reserve gains were adjusted to the General Fund upon accounting for these sales. The lack of formal approval and the inadequate supporting documentation for these transactions, including the basis for valuations and the determination of losses, raises significant concerns about the propriety and accuracy of these transactions and their impact on fixed assets, gains/losses on disposal, and the general fund.
- **Unrecorded Revenues from Unsubstantiated Set-Offs:** As disclosed in Notes 2.13 and 16, instances of trade-offs and set-offs against ratepayers accounts receivable were identified as being unsubstantiated and lacking proper approval. The corresponding revenues were not recorded in the Council's financial system. This has resulted in an understatement of revenues and potentially accounts receivable.

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The effects of these matters are, in our judgment, so material and pervasive to the financial statements that we are unable to quantify their full impact. The lack of sufficient appropriate audit evidence concerning these material amounts and transactions, and the fundamental deficiencies in internal control and governance they represent, lead us to conclude that the financial statements as a whole are materially misstated and misleading.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in Belize, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

#### **Other Matter – Delayed Issuance of Financial Statements and Ongoing Special Investigation**

We draw attention to Note 16 to the financial statements, which describes that these financial statements for the year ended March 31, 2018, have recently been approved for issue. Subsequent to the year-end, Special Investigations were commissioned by the Council, covering various financial transactions and internal controls. The findings of the ongoing investigations, as summarized in the notes, highlight the pervasive nature of the issues affecting the financial statements. Our opinion is not modified in respect of this matter itself, though the findings contribute to the basis of our adverse opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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



**Cedric D. Flowers**  
Certified Public Accountant

**Other Matter - 2017 Audited Financial Statements**

The financial statements of the Belmopan City Council for the year ended March 31, 2017 were audited by us and we expressed an unqualified opinion on those financial statements in our report dated October 7, 2020.

*Cedric D. Flowers*

**Certified Public Accountant**  
**Belize City, Belize**

**April 3, 2025**

# Statements of Financial Position

## 31 March

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Bank	3	41,665	703,940
Short-term Investment (restricted)	4	1,082	250,545
Current maturity long-term leases		140,756	140,756
Accounts receivable & prepayments	5	89,989	32,160
<b>Total current assets</b>		<b>273,492</b>	<b>1,127,401</b>
Net Property, Plant and Equipment	2.05, 6	7,603,405	8,147,085
Sewer Project*	15	1,999,814	1,999,814
Investment Property	2.10	5,522,660	-
<b>TOTAL ASSETS</b>		<b>15,399,371</b>	<b>11,274,300</b>
* Pending transfer to the Government of Belize			
<b>LIABILITIES, CREDITS &amp; FUND BALANCES</b>			
<b>Current liabilities</b>			
Accounts payable and accruals		988,992	96,377
Bond Interest Payable		63,913	-
Severance payable		1,379,556	-
Due to Government of Belize		5,522,660	-
Current portion of Long-term debt		110,000	98,721
<b>Total current liabilities</b>		<b>8,065,121</b>	<b>195,098</b>
<b>Net Bonds payable</b>	7	<b>6,087,952</b>	<b>1,567,000</b>
<b>Other Borrowings</b>	8	<b>-</b>	<b>1,682,749</b>
<b>Deferred credits</b>	9	<b>141,663</b>	<b>159,300</b>
<b>Total liabilities and credits</b>		<b>14,294,736</b>	<b>3,604,147</b>
<b>Fund balances</b>			
Capital Grant	2.09, 10	9,160,694	9,160,694
Revaluation Reserve		194,596	194,596
General Fund (Belmopan City Fund)		(8,250,655)	(1,685,137)
<b>TOTAL LIABILITIES, CREDITS &amp; FUND BALANCES</b>		<b>15,399,371</b>	<b>11,274,300</b>

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

Approved for issue by the Council on \_\_\_\_\_ .

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

# Statements of Activities and Changes in General Fund Years ended 31 March

	Notes	2018 \$	2017 \$
<b>REVENUES AND RECEIPTS</b>			
Vehicle License fees		1,492,322	1,440,268
Trade licenses		479,285	478,012
Liquor licenses		109,114	113,911
Construction and land administrative charges		126,270	115,953
Garbage and refuse collection		326,411	368,714
Property taxes		1,961,668	1,779,385
Rental income		289,252	320,943
Other fees and revenues		188,189	64,037
Interest income		978	36,114
Grants and contributions		230,707	239,305
Government subvention (restricted)	2.08	600,000	600,000
Deferred credit amortized		17,637	17,637
Sale of assets		68,006	-
Gain on sale of assets		-	10,550
<b>Total revenues</b>		<b>5,889,839</b>	<b>5,584,829</b>
<b>LESS: EXPENDITURES</b>			
Administration and Finance	App 1	3,287,515	1,722,726
Projects	App 2	3,373,128	1,341,832
Land and Revenue	App 3	793,097	659,665
Transport	App 4	1,102,660	680,444
Municipal	App 5	2,317,291	2,078,098
Engineering	App 6	621,901	540,057
Depreciation		491,788	465,321
Loss on disposal of Land	2.11	305,131	-
Bond commissions and fiscal agency fees		212,878	111,654
Interest and bank charges		129,561	243,716
Bond interest expense		360,598	-
<b>Total expenditures</b>		<b>12,995,548</b>	<b>7,843,513</b>
<b>Deficit</b>		<b>(7,105,709)</b>	<b>(2,258,684)</b>
General fund, beginning year		(1,685,137)	573,547
Adjustment against General Fund	2.12	540,191	-
<b>General fund, end of year</b>		<b>(8,250,655)</b>	<b>(1,685,137)</b>

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

# Statements of Cash Flows

## Years ended 31 March

	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from residents and clients	6,372,201	5,567,679
Cash paid for expenditures	(4,662,653)	(7,352,972)
<b>Net cash provided (used) by operating activities</b>	<b>1,709,548</b>	<b>(1,785,293)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (purchase) of investments	249,463	23,253
Net disposal of fixed assets	51,892	(123,341)
Investment Property	(5,522,660)	-
<b>Net cash used by investing activities</b>	<b>(5,221,305)</b>	<b>(100,088)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds of loan	-	1,200,000
Net proceeds of bond issue	4,933,000	1,567,000
Repayment of loan	(1,781,470)	(375,568)
<b>Net cash provided by financing activities</b>	<b>3,151,530</b>	<b>2,391,432</b>
Net increase (decrease) in cash	(360,227)	506,051
Cash, beginning of period	703,940	197,889
<b>Cash, end of period*</b>	<b>343,713</b>	<b>703,940</b>
<b>Reconciliation of Deficit to net cash used by operating activities:</b>		
<b>Deficit</b>	<b>(7,105,709)</b>	<b>(2,258,684)</b>
<b>Add (deduct) items not using (providing) cash:</b>		
Adjustment to General Fund	540,191	-
Depreciation	491,788	465,321
Amortization of deferred credit	(17,637)	(17,637)
Increase in account receivable & prepayments	(57,829)	(17,150)
Increase in accounts payable	7,858,744	42,857
<b>Net cash used by operating activities</b>	<b>1,709,548</b>	<b>(1,785,293)</b>

\* Includes bond sinking fund

# *Notes to the Financial Statements*

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

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## **1. GENERAL INFORMATION**

### **Status**

The City of Belmopan is the capital of the country of Belize; its affairs are governed by the Belmopan City Council (the Council), which was incorporated on February 10, 2000 under the Belmopan City Council Act, Chapter 86 of the Laws of Belize (the Act). The Council's administrative offices are located at 36/38 Trinity Blvd., City of Belmopan, Cayo District, Belize.

### **Constitution and Term**

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

Every Council holds office for a term of three years. An election of members of the Council is held on the first Wednesday next ensuing after the day in which the term of office of the Council expires.

During the periods covered by these audit reports, the Mayor of Belmopan was Mr Khalid Belisle.

### **Duties of the Council**

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

- a. Public safety – street improvements and infrastructure;
- b. Sanitation – public health and garbage disposal;
- c. Culture – disposal, acquisition and zoning of property, recreation;
- d. Motor vehicles – administration and control over motor vehicle licensing;
- e. Other – general administrative services.

### **Property taxation and other sources of revenues of the Council**

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

- (a) Trade Licensing Act;
- (b) Intoxicating Liquor Licensing Act;
- (c) Motor Vehicles and Road Traffic Act;
- (d) Towns Property Tax Act.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.01 Basis of Preparation of the Financial Statements**

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

### **The Belmopan City Fund**

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

# Notes to the Financial Statements

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

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## Use of Estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Council's accounting policies. Actual amounts, which are accounted for as they become known, may differ significantly from estimates.

## Going Concern Basis

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

## Changes in accounting policies and disclosures

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

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

## 2.02 Foreign currency translation

### Functional and presentation currency

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

### Transactions and balances

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

## 2.03 Financial assets

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

### Cash and Cash Equivalents

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

### Accounts receivable

Staff receivables are recognized initially at the transaction price. They are subsequently measured at amortised cost less provision for impairment. A provision for impairment of 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 arrangement with the borrower.

# Notes to the Financial Statements

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

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## Other short-term financial assets

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

## 2.04 Inventories

Inventories of the Council include license plates, licensing decals, stationery and usable supplies.

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

## 2.05 Property and equipment

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

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

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

Buildings	40 years;
Office furniture and equipment	10 years;
Machinery and equipment	10 years;
Motor Vehicles	4 years.

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

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

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

# Notes to the Financial Statements

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

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## 2.06 Borrowings

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

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

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

### Municipal Bonds

By a resolution of the Belmopan City Council dated April 5, 2016 and, in accordance with the Belmopan City Council (Amendment) Act, 2016, (the BMPCitco Bond Act) the Council made a municipal bond offering, the 2016 Series 1 Bonds (the bonds), the details of which were contained in its Municipal Bond Prospectus 2017.

### The Serial Bond Offering

The bond offer was made for an aggregate of \$6.5m denominated in units of \$1,000, with varying rates of interest. The bond issue was structured in order that portions of the outstanding bonds mature at regular intervals until all bonds have matured (i.e. serial bonds).

The bond coupon (interest) rates range from 3.50% to 7.25% per annum, with a weighted average rate of 5.69%. The bonds are structured in 13 tranches and were subscribed with maturities as follows:

- a. The first four tranches maturing each year on February 1<sup>st</sup>, from 2019 to 2022, aggregate amount, \$1,166,000;
- b. The next four tranches maturing each year on February 1<sup>st</sup>, from 2023 to 2026, aggregate amount, \$1,961,000;
- c. The last five tranches maturing each year on February 1<sup>st</sup>, from 2027 to 2031, aggregate amount, \$3,373,000.

The municipal bonds are classified as General Obligation Bonds (GO Bonds) since they are backed solely by the credit and taxing power of the Council and are not tied to any specific revenue stream of the Council.

### Callable Feature

The Council reserves the right to redeem the bonds, after August, 2022, at par value together with interest accrued to the fixed date for redemption on giving at least 180 calendar days' notice—issued by the Fiscal Agent at the request of the Council.

### Use of Proceeds

The BMPCitco Bond Act established the Belmopan City Infrastructure Fund into which shall be deposited or credited the bond proceeds. The proceeds of the bond issue may be used by the Council for any of the purposes of: to retire existing overdraft facility, debt or liability not exceeding \$1.5m; to pay for infrastructure works; and, to pay for consultancy services, building construction, parks, playgrounds or other similar project or activity within the City of Belmopan.

# *Notes to the Financial Statements*

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

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## **Bond Sinking Fund**

The BMPCitco Bond Act also established the Belmopan City Municipal Bond Sinking Fund (the Sinking Fund) which shall be used for the purpose of repaying principal and interest payable to bondholders, and into which shall be deposited monies that the Council considers necessary to ensure that the Sinking Fund is adequate to satisfy the repayment of principal and interest.

In accordance with Section 23F of the BMPCitco Bond Act, the Sinking Fund is immune from enforcement of any judgment or proceedings by any creditor or other person.

## **Fiscal Agent**

Heritage Trust Financial Services Limited (Heritage Trust) is the Fiscal Agent for the municipal bond issue; Heritage Trust is responsible for the general management of the Sinking Fund, including establishment of the sinking fund bank account, and periodic payouts of interest and principal to bondholders.

## **Other Provisions**

In accordance with BMPCitco Bond Act, the Council is required to maintain a debt ceiling such that interest and principal payable in any year in respect of its debts shall not exceed 50% of the Council's recurrent revenue from the previous year; additionally, the Council's total debt shall not exceed \$25m.

## **2.07 Revenues and Recognition**

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

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

### **Property tax revenues**

The Council bills and collects property taxes for municipal purposes. Property taxes are billed annually prior to the close of the current financial year for the ensuing financial year starting April 1<sup>st</sup>. Taxation revenues are recorded when received.

### **Government grants and subventions**

The Government of Belize's subvention is an allocation approved annually by the National Assembly of Belize for all municipalities, including the Belmopan City Council. The monies are disbursed in monthly instalments by the Ministry of Local Government. At March 31, 2018, the monthly subvention was \$50,000. Subventions are recorded when received.

### **Donations and Grants**

Donations and grants (cash or in-kind) received in recognition for specific project expenditures are recognized as income in the same period as the relevant expenses.

Grants related to depreciable assets are recorded as deferred credits and are recognized as income over the years in proportion to depreciation charged on those assets during each year.

### **Trade and Liquor Licenses, Other**

Certain amounts are collected pursuant to legislation or agreement; trade and liquor licenses are assessed by their respective licensing boards. Licensing fees for approved applications are due within one month of approval and are recognized as revenues in the accounts upon approval.

Garbage disposal fees, taxi bay rental and market stall rental are assessed on a monthly basis and are due within 60 days of assessment. Revenues from these sources are recorded when received.

# *Notes to the Financial Statements*

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

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## **2.08 Restrictions on revenues**

In conjunction with the Council's outstanding bond issue, and in accordance with a pledge of the Council, certain revenues of the Council, including government subventions, are not available for general usage but are paid directly into the Bond Sinking Fund, held and managed by Heritage Financial Services Limited.

## **2.09 Capital Grants**

Lands donated and transferred to the Council are recorded at fair market value at the time of transfer. These lands are either held as public lands for the Council or have been developed for resale.

## **2.10 Investment Property**

Investment property generally comprises land or buildings held primarily to generate rental income or for capital appreciation, or both, rather than for use in the Council's service delivery, administrative functions, or for sale in the ordinary course of business activities.

Investment Property is comprised of Parcel No. 6302, Belmopan Registration Section, Block 20, a tract of 100.412 acres known as InnovaBel Land. This property was acquired by the Council on February 23, 2016, from the University of Belize. The stated consideration was an "Exchange of Land", although Council records lack specifics regarding the assets exchanged. Additionally, the Council made a cash payment of \$15,000 related to prior private investments on the property. The Council's intention upon acquiring this land was to develop it into a subdivision and subsequently sell the individual parcels as residential plots.

This significant land asset had not been previously recorded in the Council's financial statements. It is recognized in the Statement of Financial Position during the fiscal year ended March 31, 2018. The carrying amount was established based on an internal fair market valuation dated December 11, 2017, performed by the Council's Valuation Officer, which determined a value of \$5,522,660. The recorded liability in relation to the acquisition of InnovaBel land is the amount reflected as "Due to Government of Belize" for the equivalent of this internal valuation price. This amount is subject to change pending confirmation from the Government.

## **2.11 Sale of Infrastructure Land**

During the fiscal year ended March 31, 2018, the Council engaged in the sale of certain infrastructure lands. These lands included areas designated as buffers, open spaces, road reserves, and other properties previously held by the Council for City use.

These sales were undertaken without formal approval from the Council.

The "Land" fixed asset category in the financial statements has been reduced by the proportionate carrying amounts corresponding to the infrastructure lands sold during the year. Prior to recording the sale of these lands, any gains resulting from valuations of these specific assets were adjusted to the General Fund to update their carrying amounts.

Losses on the disposal of these infrastructure lands have been recognized in the accounts. These losses represent the difference between the sale price received and the internally determined valuation amount of the land at the time of sale.

# *Notes to the Financial Statements*

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

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## **2.12 Adjustments to General Fund**

During the fiscal year ended March 31, 2018, the Council transferred recognized revaluation gains as adjustments to the General Fund. This transfer pertained to specific infrastructure lands that were sold during the year, as described in the note titled "Sale of Infrastructure Land".

The revaluation gains, which originated from upward valuations of these lands were considered realized upon the disposal of these assets.

The purpose of this transfer was to adjust the carrying amount of these lands within the General Fund to their revalued amounts upon accounting for their sale. This ensures that any resulting gain or loss on disposal recorded on the Statement of Activities is calculated based on these updated carrying values. This accounting treatment aligns with the Council's policy for accounting for the disposal of revalued assets.

## **2.13 Unrecorded Revenues from Set-Off Transactions**

During the fiscal year ended March 31, 2018, certain transactions involving trade-offs and set-offs against accounts receivable occurred. These set-offs were found to be unsubstantiated and lacked proper authorization and approval from the Council.

While these transactions were processed and completed within the Council's operational system, the corresponding revenues that should have been recognized as a result of these set-offs were not recorded in the Council's official financial accounting system. Consequently, these revenues are not reflected in the financial statements for the year ended March 31, 2018.

The extent of any efforts to be undertaken by the current Council to recover these unrecorded revenues from the recipients of the unsubstantiated set-offs has not been determined.

## **2.14 Related Party Transactions**

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties also include key management personnel such as City Councillors and members of the City's Management Team (the City Administrator, and the Finance Director), as well as their close family members.

The Council is required to disclose circumstances in which it enters into transactions with its related parties at a value different from that which would have been arrived at if the parties were unrelated (i.e. not at arm's length) and these transactions are considered to have a significant financial impact on the Council's financial statements. In the event that qualifying transactions are identified, the Council would disclose the nature of the relationship with all involved parties, type of related party transaction, and amounts recognized in the financial statements.

During the fiscal year ended March 31, 2018, the Council engaged in transactions, notably infrastructure land sales and trade-offs. Subsequent investigations (reports issued 2025) suggest that some of these transactions involved entities or individuals considered related or connected parties (see also Note 16 Subsequent Events).

A formal policy for the identification, approval, and disclosure of related party transactions was not in effect. The investigations indicate that terms for certain transactions may have been determined without standard procedural adherence or formal Council oversight, particularly concerning land pricing and discounts. The Council is reviewing these historical transactions in light of the investigation findings.

# *Notes to the Financial Statements*

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

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## **2.15 Income Taxes**

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

## **2.16 Financial Risk Management**

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

## Notes to the Financial Statements

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

	2018	2017
	\$	\$
<b>3. CASH AND BANK BALANCES</b>		
Heritage Bank Operating	(1,051)	11,538
Heritage Bank Infrastructure Account	1,535	619,129
Atlantic Bank	15,286	-
Scotiabank	15,802	63,375
HRCU - Shares	10,093	9,786
Cash	-	112
<b>TOTAL</b>	<b>41,665</b>	<b>703,940</b>
<b>4. SHORT-TERM INVESTMENT (Restricted)</b>		
Short-term investment consisted of a term deposit held with Holy Redeemer Credit Union at the rate of 4% per annum; the investment was pledged as security for a loan from that institution.		
<b>5. ACCOUNTS RECEIVABLE AND PREPAYMENTS</b>		
Staff loans	14,478	17,103
Land Sale Adjustments	57,659	-
Prepaid insurance	17,852	15,057
<b>TOTAL</b>	<b>89,989</b>	<b>32,160</b>
<b>6. FIXED ASSETS &amp; DEPRECIATION</b>		
<b>Cost (c), Valuation (v)</b>		
Land (v)	7,253,405	7,441,012
Building (c, v)	620,934	620,934
Market project	49,859	49,859
Furniture & Equipment (c, v)	431,992	396,377
Machinery & Equipment (c)	476,447	376,347
Motor vehicles (c, v)	1,555,355	1,555,355
	<b>10,387,992</b>	<b>10,439,884</b>
Less: accumulated depreciation	(2,784,587)	(2,292,799)
<b>Net Property, Plant &amp; Equipment</b>	<b>7,603,405</b>	<b>8,147,085</b>

# Notes to the Financial Statements

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

	2018 \$	2017 \$
<b>7. NET MUNICIPAL BONDS</b>		
The net unsecured long-term debt reported on the Statement of Financial Position comprises municipal bonds issued by the Council as follows:		
<b>Municipal bonds:</b>		
Municipal bonds series No. 1, tranche 1, interest rate of 3.5%, maturing on February 1, 2019	110,000	8,000
Municipal bonds series No. 1, tranche 2, interest rate of 4.0%, maturing on February 1, 2020	217,000	-
Municipal bonds series No. 1, tranche 3, interest rate of 4.5%, maturing on February 1, 2021	74,000	4,000
Municipal bonds series No. 1, tranche 4, interest rate of 5.0%, maturing on February 1, 2022	765,000	-
Municipal bonds series No. 1, tranche 5, interest rate of 5.25%, maturing on February 1, 2023	510,000	500,000
Municipal bonds series No. 1, tranche 6, interest rate of 5.50%, maturing on February 1, 2024	443,000	-
Municipal bonds series No. 1, tranche 7, interest rate of 5.75%, maturing on February 1, 2025	485,000	-
Municipal bonds series No. 1, tranche 8, interest rate of 6.0%, maturing on February 1, 2026	523,000	-
Municipal bonds series No. 1, tranche 9, interest rate of 6.25%, maturing on February 1, 2027	600,000	-
Municipal bonds series No. 1, tranche 10, interest rate of 6.50%, maturing on February 1, 2028	475,000	-
Municipal bonds series No. 1, tranche 11, interest rate of 6.75%, maturing on February 1, 2029	185,000	185,000
Municipal bonds series No. 1, tranche 12, interest rate of 7.0%, maturing on February 1, 2030	1,272,000	450,000
Municipal bonds series No. 1, tranche 13, interest rate of 7.25%, maturing on February 1, 2031	841,000	420,000
Total municipal bonds	6,500,000	1,567,000
<b>Less: Bond Sinking Fund</b>	<b>(302,048)</b>	-
Net Municipal Bonds Payable	6,197,952	1,567,000
Bonds maturing within 12 months	(110,000)	-
<b>Non-current portion</b>	<b>6,087,952</b>	<b>1,567,000</b>

# Notes to the Financial Statements

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

	2018 \$	2017 \$
<b>8. OTHER BORROWINGS</b>		
<p>* Holy Redeemer Credit Union loan of \$1,000,000 at the rate of 12% per annum. Repayment is by 126 monthly interest-inclusive installments of \$14,000 each. The loan is secured by a lien on a Term Deposit held by the Council with HRCU, and also by a promissory note.</p>	-	894,670
<p>* Heritage Bank Limited loan of \$1,200,000 at the rate of 9% per annum. Repayment is by monthly installments equal to 20% of the value of all bonds issued and sold. The loan is secured by a mortgage over 49.934 acres of land situated on the Hummingbird Highway.</p>	-	886,800
<b>Subtotal</b>	-	1,781,470
Less: Current portion	-	(98,721)
<b>Long- term Debt</b>	-	1,682,749

\* Both facilities were settled in their entirety during the 2018 fiscal year

## 9. DEFERRED CREDITS

Balance, beginning of year	159,300	176,937
Less: Amortization	(17,637)	(17,637)
<b>Balance March 31,</b>	<b>141,663</b>	<b>159,300</b>

Deferred credits represent the book value of assets transferred from the RECONDEV to the Council.

## 10. CAPITAL GRANT

Recorded amounts represent grants of freehold properties, parks and playgrounds transferred from the Reconstruction and Development Corporation (RECONDEV).

## 11. LEFT BLANK

# *Notes to the Financial Statements*

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

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## **12. COMMITMENTS AND 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 these financial statements.

### **12.01 Contracts**

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

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

- a. Contract with Heritage Financial Services Limited, in which Heritage Trust was engaged to provide fiscal agency services in connection with the Council's municipal bond issue. Among other things, Heritage Trust will be responsible
  - To set up and control an escrow account into which deposits for subscription of bonds will be made,
  - To transfer the net proceeds of the bond to the Infrastructure Account of the Council,
  - To make payment to the Financial Advisor
  - To set up and manage the sinking fund account established under the Bond Act.
  - The agreed compensation of Heritage Trust (the fiscal agent) is 5% commission on the first \$3m, 3½% on the next \$3m, and 2½% on the remaining balance, plus GST at 12½%, or approximately \$301,000 on the \$6.5m bond issue.
- b. Contract with Legacy Fund Limited, Financial Advisor to the Council in respect of the bond issue; agreed compensation, 5% of the gross bond proceeds.

### **12.02 Legal Matters**

In the ordinary course of its operations, the Belmopan City Council may be subject to various legal proceedings and claims. As of March 31, 2018, there were no pending or threatened legal actions, claims, or unasserted claims that management believes are likely to have a material adverse effect on the accompanying financial statements.

### **12.03 Promissory Note**

The Council is contingently liable to Holy Redeemer Credit Union Ltd.(HRCU) in connection with a promissory note which the Council executed in favour of that institution in support of its loan facilities. The Council's exposure is the difference between the loan balance and a term deposit collateral held by HRCU. At March 31, 2018, all facilities held with HRCU were settled.

### **12.04 Termination benefits**

The City Council recognizes termination benefits in accordance with the terms of its Collective Agreement with the Christian Workers Union dated May 12, 2005. The Collective Agreement was amended on April 15, 2009 by means of a Memorandum of Understanding (MOU) and requires 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 and, (b) employees with more than ten years be paid severance pay of two week's pay for each year of service. The MOU also provides that payments shall be retroactive to April 1, 2000. Termination benefits are reflected in the account "Severance Payable".

# *Notes to the Financial Statements*

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

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## **13. KEY MANAGEMENT COMPENSATION**

The aggregate compensation of the Mayor, the Councillors, and the City Administrator for the year ended March 31, 2018 was \$217,826; (March 31, 2017 - \$174,242).

## **14. SEGMENTED INFORMATION**

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

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

- Finance and Administrative
- Projects
- Land and Revenue
- Transport
- Municipal
- Engineering

## **15. OTHER (SEWER PROJECT)**

By a letter dated December 19, 2016, the Council formally requested the Government of Belize (Ministry of Finance) to accept transfer of an asset listed on the balance sheet of the Council as "Sewer Project", \$1,999,814. Formal transfer was still pending at the date of this report. The Council had facilitated the Government of Belize (GOB) when it acted as the implementing agency during the construction of the now completed sewer project, with the expectation that the project would be handed over to GOB upon completion.

# *Notes to the Financial Statements*

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

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## 16. SUBSEQUENT EVENTS

### **Financial Statement Disclosures: Ongoing Investigations, Potential Legal Actions, and Financial Implications**

The financial statements of the Council for the fiscal years ended March 31, 2018, March 31, 2019, March 31, 2020, March 31, 2021, and March 31, 2022, were recently approved for issue. Subsequent to each of these respective fiscal year-ends, Special Investigations were commissioned by the Council. The investigations' scope included a review of various financial transactions, internal controls, and operational matters. The preliminary and ongoing findings of these investigations have revealed several matters requiring disclosure, as detailed below. The Council is in the process of evaluating the full impact of these findings, which may necessitate adjustments to the amounts previously recorded or an assessment of potential contingent liabilities or assets.

This note addresses significant matters arising from the special investigations into the Council's affairs, primarily concerning land transactions, trade-offs, setoffs, and internal controls. These investigations, with reports issued dated April 2025, cover periods including the fiscal years ended March 31, 2018, through March 31, 2024.

Findings relevant to the fiscal year 2018 indicate:

- **InnovaBel Land:** Matters concerning the acquisition of the InnovaBel land, including the determination and recording of the "Due to Government of Belize" liability. This liability, based on an internal valuation, remains subject to change pending confirmation from the Government.
- **Sale of Infrastructure Land:** Sales of infrastructure lands (buffers, open spaces, road reserves, and properties held for City use) were undertaken without formal Council approval. Losses on these disposals were recognized based on comparisons of sale prices against internal valuations. The accounting treatment involved reducing the "Land" fixed asset by proportionate carrying amounts and adjusting revaluation gains to the General Fund. The extent of any efforts by the current Council to recover these losses has not yet been determined.
- **Accounts and Revenues (Setoffs):** Instances of trade-offs and setoffs against ratepayer's accounts receivable were identified as being unsubstantiated and lacking proper approval. The corresponding revenues were not recorded in the Council's financial system and are not reflected in the financial statements.

The Council is currently evaluating the full extent of these findings, which indicate potential misstatements in the financial statements of this and other periods. The Council is also considering legal actions to recover potential losses and address any misconduct.

Due to the ongoing nature of the Council's assessment, the financial impact on the fiscal year 2018 financial statements, including the need for restatement, potential asset recoveries, or contingent liabilities, cannot be reliably determined at this time. Any amounts recovered will be recognized when the recovery becomes virtually certain.

# *Appendix to the Financial Statements*

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

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## *Appendix*

## *Appendix to the Financial Statements*

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

	2018	2017
	\$	\$

### **SEGMENT REPORTING**

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

#### **1. ADMINISTRATION AND FINANCE**

Advertising	20,028	16,139
Belmopan celebration activities	206,644	124,047
Insurance	12,384	52,509
Landscaping & beautification	156	-
Miscellaneous	26,830	16,155
Motor vehicle expense	79,943	49,012
Office equipment & furniture maintenance	28,748	20,249
Repairs & maintenance - Building	8,986	39,672
Professional fees	67,827	93,875
Salaries and benefits	2,561,400	897,111
Supplies and stationery	39,677	32,242
Public Assistance	101,186	172,240
Travel and entertainment	42,054	64,167
Training	5,452	3,245
Rental	900	6,200
Uniforms	-	9,542
Utilities	85,300	86,321
Other Expense	-	40,000
<b>TOTAL</b>	<b>3,287,515</b>	<b>1,722,726</b>

#### **2. PROJECTS**

Community development	81,154	39,100
Culverts and drains	439,144	92,162
Infrastructure (roads/streets)	816,976	904,500
Others	2,035,854	306,070
<b>TOTAL</b>	<b>3,373,128</b>	<b>1,341,832</b>

## *Appendix to the Financial Statements*

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

	2018	2017
	\$	\$
<b>3. LAND AND REVENUE</b>		
Advertising	2,348	12,870
Commissions	44,792	63,894
Miscellaneous	11,018	4,177
Vehicle expense	12,863	10,018
Office equipment and furniture maintenance	13,160	15,036
Repairs and maintenance - Building	2,244	5,408
Professional fees	9,087	8,200
Salaries and benefits	683,057	512,259
Supplies and stationery	12,913	16,127
Travel and entertainment	40	3,677
Training	1,500	150
Rental	-	2,800
Uniform	75	5,049
<b>TOTAL</b>	<b>793,097</b>	<b>659,665</b>
<b>4. TRANSPORT</b>		
Advertising	100	-
Miscellaneous	537	595
Traffic accessories	42,912	54,262
Traffic signs maintenance	13,771	13,817
Vehicle expense	54,847	41,807
Office equipment & furniture maintenance	7,260	8,991
Repairs and maintenance - Building	1,839	9,988
Uniform	9,610	15,998
Travel and entertainment	838	340
Training	5,924	3,124
Salaries and benefits	905,921	487,464
Supplies and stationery	5,540	9,760
Professional services	53,561	34,298
<b>TOTAL</b>	<b>1,102,660</b>	<b>680,444</b>

## Appendix to the Financial Statements

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

	2018 \$	2017 \$
<b>5. MUNICIPAL</b>		
Advertising	300	200
Belmopan celebration activities	-	46
Insurance	9,417	5,548
Landscaping and beautification	11,415	10,598
Motor vehicle expense	294,346	238,633
Office equipment and furniture maintenance	28,674	26,055
Privatization projects	231,216	219,122
Public health activities	5,607	6,857
Repairs and maintenance - Belmopan Market	14,191	20,171
Repairs and maintenance - Parks and playgrounds	119,561	43,731
Salaries and wages	1,327,347	1,181,572
Stationery and supplies	1,193	1,923
Travel	330	1,360
Uniform	8,327	2,194
Miscellaneous	510	-
Training	-	462
Utilities	83,759	58,700
Waste management	181,098	260,926
<b>TOTAL</b>	<b>2,317,291</b>	<b>2,078,098</b>
<b>6. ENGINEERING</b>		
Advertising	-	700
Miscellaneous	2,302	354
Motor vehicle expenses	123,307	113,222
Landscaping & beautification	1,485	8,338
Office equipment & furniture maintenance	6,910	5,088
Professional services	2,875	2,765
Repairs and maintenance - Building	873	24,923
Repairs and maintenance - culverts	30,450	18,003
Repairs and maintenance - streets	67,990	60,149
Uniforms	610	1,939
Training	-	755
Rental	-	1,828
Salaries and benefits	384,403	298,199
Supplies and stationery	341	543
Travel and subsistence	355	3,251
<b>TOTAL</b>	<b>621,901</b>	<b>540,057</b>