

**SUSTAINABLE TOURISM PROGRAM II
(Loan Agreement No. 3566/OC-BL)
Ministry of Tourism and Civil Aviation
Financial Statements
For the year ended 31 March 2018**



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Independent auditor's report to the Chief Executive Officer of The Ministry of Tourism and Civil Aviation

Opinion

We have audited the accompanying financial statements of the Sustainable Tourism Program II (STP II) which comprise of the statement of cash flows, the statement of cumulative investments, and a summary of significant accounting policies and other explanatory notes for the year ended 31 March 2018.

The activities of the STP II are financed with funds from the Inter-American Development Bank (IDB) and local counterpart funds from the Government of Belize (GOB).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the STP II as of 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards modified by the basis of accounting described in the paragraph below and the accounting policies described in Note 2.

As described in Note 2, the accompanying statement of cash flows, and the statements of cumulative investments were prepared using the cash basis of accounting in accordance with the Cash Basis International Public Sector Accounting Standards: Financial Reporting under the Cash Basis of Accounting. Cash basis accounting recognizes transactions and acts only when the cash (and/or cash equivalent) is received or disbursed by the entity, and not when they give rise to, accrue or originate rights or obligations although there was no cash movement.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 STP II in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professionals Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Responsibility of project management and those charged with governance for the financial statements

Project management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as modified by the cash basis of accounting described in Note 2 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, project management is responsible for assessing the project'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 project management either intends to liquidate the project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the project'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.

As part of an audit in accordance with ISAs, we:

- (i) exercise professional judgement and maintain professional skepticism throughout the audit;
- (ii) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (iii) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (iv) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by project management.
- (v) conclude on the appropriateness of project management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we should conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- (vi) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (vii) obtain sufficient audit evidence regarding the financial information of the project to express an opinion on the financial statements. We remain solely responsible for our audit opinion
- (viii) communicate with those charged with governance regarding, among other matters, the scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Belize LLP

BDO Belize LLP

1 June 2018

Sustainable Tourism Program II

Statement of cash flows

For the year ended 31 March 2018

(In United States dollars)

| | Note | Year Ended 31 March 2018 | | | Year Ended 31 March 2017 | | |
|--|-------|--------------------------|----------------|------------------|--------------------------|---------------|----------------|
| | | IDB | GOB | TOTAL | IDB | GOB | TOTAL |
| Cash received | | | | | | | |
| Cumulative balance as at beginning of period | 3 | 146,275 | - | 146,275 | - | - | - |
| Activity during the year: | | | | | | | |
| Advances Request No.1 | 3 (i) | | | | 300,000 | 75,000 | 375,000 |
| Advances Request No. 4 and 6 | 3 (i) | 1,200,000 | 100,000 | 1,300,000 | | | |
| Total cash received | | 1,346,275 | 100,000 | 1,446,275 | 300,000 | 75,000 | 375,000 |
| Disbursements made | | | | | | | |
| Activity during the year: | | | | | | | |
| Disbursement Request No.2 | | | | | 153,725 | 10,466 | 164,191 |
| Disbursement Request No.3 | | 101,225 | 6,573 | 107,798 | | | |
| Disbursement Request No.5 | | 366,551 | 5,719 | 372,270 | | | |
| Total cash disbursements | | 467,776 | 12,292 | 480,068 | 153,725 | 10,466 | 164,191 |
| Available cash as of 31 March 2018 | | 878,499 | 87,708 | 966,207 | 146,275 | 64,534 | 210,809 |

Sustainable Tourism Program II

Statement of cumulative investments

For the year ended 31 March 2018

(In United States dollars)

| | Movement during the year March 2017 | | | Cumulative as of end of year March 2017 | | | Movement during the year March 2018 | | | Cumulative as of end of year March 2018 | | |
|--|--|-----|--------|--|-----|--------|--|-----|---------|--|-----|---------|
| | IDB | GOB | TOTAL | IDB | GOB | TOTAL | IDB | GOB | TOTAL | IDB | GOB | TOTAL |
| 1. Enhancement of the Tourism Product | | | | | | | | | | | | |
| 1.1 Archaeological sites enhanced | 16,700 | - | 16,700 | 16,700 | - | 16,700 | 118,316 | - | 118,316 | 135,016 | - | 135,016 |
| 1.2 Cultural attractions restored and enhanced | - | - | - | - | - | - | 76,335 | - | 76,335 | 76,335 | - | 76,335 |
| 1.3 Natural attractions improved and developed | - | - | - | - | - | - | - | - | - | - | - | - |
| 1.4 Basic infrastructure - docks and waterfronts improved | - | - | - | - | - | - | 498,537 | - | 498,537 | 498,537 | - | 498,537 |
| 1.5 Tourist signage developed and installed | 10,189 | - | 10,189 | 10,189 | - | 10,189 | 26,511 | - | 26,511 | 36,700 | - | 36,700 |
| 2. Promoting Disaster and Climate Resilient Tourist Destinations | | | | | | | | | | | | |
| 2.1 National guidelines for tourism sector- disaster preparedness and resilience | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2-2.4 Toledo and Corozal Disaster Risk and Climate Resilience Plans and Crisis Management Plans including training | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.5 Environmental monitoring | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Institutional Strengthening and Capacity Building | | | | | | | | | | | | |
| 3.1 Information collection and data analysis | - | - | - | - | - | - | - | - | - | - | - | - |
| 3.2 Policy and legislation | 22,638 | - | 22,638 | 22,638 | - | 22,638 | 52,822 | - | 52,822 | 75,460 | - | 75,460 |
| 3.3 Destination planning and management | 235 | - | 235 | 235 | - | 235 | 159,216 | - | 159,215 | 159,450 | - | 159,450 |
| 3.4 Local tourism value chains strengthened | - | - | - | - | - | - | 16,777 | - | 16,777 | 16,777 | - | 16,777 |
| 3.5 Program awareness campaign | - | - | - | - | - | - | 11,375 | - | 11,375 | 11,375 | - | 11,375 |
| 4. Management | | | | | | | | | | | | |
| 4.1 Execution team | 50,808 | - | 50,808 | 50,808 | - | 50,808 | 119,805 | - | 119,805 | 170,613 | - | 170,613 |

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

Sustainable Tourism Program II

Statement of cumulative investments (continued)

For the year ended 31 March 2018

(In United States dollars)

| | Movement during the year March 2017 | | | Cumulative as of end of year March 2017 | | | Movement during the year March 2018 | | | Cumulative as of end of year March 2018 | | |
|-----------------------------------|--|---------------|----------------|---|---------------|----------------|--|---------------|------------------|--|---------------|------------------|
| | IDB | GOB | TOTAL | IDB | GOB | TOTAL | IDB | GOB | TOTAL | IDB | GOB | TOTAL |
| 4.2 Evaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| 4.3 <i>Operational costs</i> | | | | | | | | | | | | |
| 4.3.1 Stationeries and office | - | 1,988 | 1,988 | - | 1,988 | 1,988 | - | 1,411 | 1,411 | - | 3,399 | 3,399 |
| 4.3.2 Vehicles and maintenance | 61,684 | 1,851 | 63,535 | 61,684 | 1,851 | 63,535 | 822 | 3,068 | 3,890 | 62,506 | 4,919 | 67,425 |
| 4.3.3 Furniture and equipment | 13,626 | - | 13,626 | 13,626 | - | 13,626 | - | 1,072 | 1,072 | 13,626 | 1,072 | 14,698 |
| 4.3.4 Travel and per diem | 1,551 | 4,500 | 6,051 | 1,551 | 4,500 | 6,051 | 973 | 8,538 | 9,511 | 2,524 | 13,038 | 15,562 |
| 4.3.5 Fuel | 439 | 762 | 1,201 | 439 | 762 | 1,201 | - | 4,067 | 4,067 | 439 | 4,829 | 5,268 |
| 4.3.6 Utilities | - | 1,011 | 1,011 | - | 1,011 | 1,011 | - | 2,298 | 2,298 | - | 3,309 | 3,309 |
| 4.3.7 Miscellaneous costs | 60 | 2,316 | 2,376 | 60 | 2,316 | 2,376 | 876 | 3,217 | 4,093 | 936 | 5,533 | 6,469 |
| 4.3.8 Uniforms | - | 252 | 252 | - | 252 | 252 | - | 1,321 | 1,321 | - | 1,573 | 1,573 |
| 4.3.9 Advertisement and PR | - | 6,072 | 6,072 | - | 6,072 | 6,072 | - | 4,172 | 4,172 | - | 10,244 | 10,244 |
| 4.3.10 Computers and peripherals | 12,567 | - | 12,567 | 12,567 | - | 12,567 | 554 | - | 554 | 13,121 | - | 13,121 |
| 4.3.11 Bank charge | - | 58 | 58 | - | 58 | 58 | - | 1,910 | 1,910 | - | 1,968 | 1,968 |
| 4.3.12 Social Security (employer) | - | 787 | 787 | - | 787 | 787 | - | 1,918 | 1,918 | - | 2,705 | 2,705 |
| 5. Audits | - | - | - | - | - | - | 22,270 | - | 22,270 | 22,270 | - | 22,270 |
| 6. Evaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| 7. Supervision | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | 190,497 | 19,597 | 210,094 | 190,497 | 19,597 | 210,094 | 1,105,189 | 32,992 | 1,138,181 | 1,295,686 | 52,589 | 1,348,275 |

Sustainable Tourism Program II

Reconciliation of statement of cash flows with the statement of cumulative investments

For the year ended 31 March 2018

(In United States dollars)

| | |
|---|------------------|
| Disbursements made as per statement of cash flows <i>(Disbursement Requests #2, 3 and 5)</i> | 621,501 |
| Add: reconciling items (expenditure not justified as of 31 March 2018) | 674,185 |
| Disbursements made as per statement of cumulative investments | <u>1,295,686</u> |

Sustainable Tourism Program II

Reconciliation by category of investment of the program's records with the IDB's records

For the year ended 31 March 2018

(In United States dollars)

| | Program's Records (Statement of Cumulative Investments) March 2018 | IDB's Records (LMS 1 Executive Financial Summary) March 2018 | Variance March 2018 | Explanation for Variances |
|--|---|---|------------------------|----------------------------|
| | IDB | IDB | IDB | |
| 1. Enhancement of the Tourism Product | 746,588 | 327,240 | 419,348 | Amounts not yet justified. |
| 1.1 Archaeological sites enhanced | 135,016 | | | |
| 1.2 Cultural attractions restored and enhanced | 76,335 | | | |
| 1.3 Natural attractions improved and developed | | | | |
| 1.4 Basic infrastructure - docks and waterfronts improved | 498,537 | | | |
| 1.5 Tourist signage developed and installed | 36,700 | | | |
| 2. Promoting Disaster and Climate Resilient Tourist Destinations | | | | Amounts not yet justified. |
| 2.1 National guidelines for tourism sector- disaster preparedness and resilience | - | - | - | |
| 2.2-2.4 Toledo and Corozal Disaster Risk and Climate Resilience Plans and Crisis Management Plans including training | - | - | - | |
| 2.5 Environmental monitoring | - | - | - | |
| 3. Institutional Strengthening and Capacity Building | 263,063 | 83,395 | 179,668 | |
| 3.1 Information collection and data analysis | - | | | |
| 3.2 Policy and legislation | 75,460 | | | |
| 3.3 Destination planning and management | 159,451 | | | |
| 3.4 Local tourism value chains strengthened | 16,777 | | | |
| 3.5 Program awareness campaign | 11,375 | | | |

Sustainable Tourism Program II

Reconciliation by category of investment of the program's records with the IDB's records (continued)

For the year ended 31 March 2018

(In United States dollars)

| | Program's Records (Statement of Cumulative Investments) March 2018 | IDB's Records (LMS 1 Executive Financial Summary) March 2018 | Variance March 2018 | Explanation for Variances |
|-----------------------------------|---|---|------------------------|----------------------------|
| | IDB | IDB | IDB | |
| 4. Management | 263,765 | 189,097 | 74,668 | Amounts not yet justified. |
| 4.1 Execution team | 170,613 | | | |
| 4.2 Evaluation | - | | | |
| <i>4.3 Operational costs</i> | | | | |
| 4.3.1 Stationeries and office | - | | | |
| 4.3.2 Vehicles and maintenance | 62,506 | | | |
| 4.3.3 Furniture and equipment | 13,626 | | | |
| 4.3.4 Travel and per diem | 2,524 | | | |
| 4.3.5 Fuel | 439 | | | |
| 4.3.6 Utilities | - | | | |
| 4.3.7 Miscellaneous costs | 936 | | | |
| 4.3.8 Uniforms | - | | | |
| 4.3.9 Advertisement and PR | - | | | |
| 4.3.10 Computers and peripherals | 13,121 | | | |
| 4.3.11 Bank charge | - | | | |
| 4.3.12 Social Security (employer) | - | | | |
| 5. Audits | 22,270 | 21,769 | 501 | Amounts not yet justified. |
| 6. Evaluation | - | | | |
| 7. Supervision | - | | | |
| Total | 1,295,686 | 621,501 | 674,185 | |

Sustainable Tourism Program II

Notes to the financial statements

(In United States dollars)

1. General Information

The Government of Belize (GOB), with the support of a loan from the Inter-American Development Bank (IDB) has implemented the Sustainable Tourism Program II (STP II) through the Project Execution Unit of the Ministry of Tourism and Civil Aviation. The five-year project is designed to increase the contribution of Belize's tourism sector to national sustainable and resilient socioeconomic development. Specific objectives are to: (i) increase tourism expenditures, employment and income through tourism product diversification; (ii) promote disaster and climate resilience and environmental sustainability in tourism destinations; and (iii) improve sector governance, creating enabling conditions for private sector investment in overnight tourism.

These financial statements have been approved for issue by the Chief Executive Officer of the Ministry of Tourism and Civil Aviation on 26 June 2018.

(a) Project Status - Sustainable Tourism Program II

On 11 January 2016, Loan Number 3566/OC-BL was executed between the GOB and the IDB to cooperate in the execution of the Sustainable Tourism Program II (IDB contribution: US\$ 15,000,000; GOB contribution: US\$500,000). Final disbursement of loan funds is 10 January 2021.

The project is to be executed in several components: enhancement of the tourism product, promoting disaster and climate resilient tourist destinations and environmental sustainability, institutional strengthening and capacity building, management, audit, evaluation and supervision. Project activities will focus on specific tourist destinations in Belize, including Eastern Toledo, Punta Gorda Town, Corozal, Caye Caulker and the Mountain Pine Ridge (MPR)/Caracol/Chiquibul Complex in Cayo.

Component 1 - Enhancement of the tourism product

As of 31 March 2018, the Caye Caulker tourist signage consultancy has been completed and several consultancies listed under Component 1 are currently underway: the consultancy to develop architectural drawings, bidding documents and provide supervision for Nim Li Punit and Santa Rita archaeological sites; Coastal Baseline Studies; Toledo Welcome Plaza; and Corozal Heritage Plaza. Works at Santa Rita and Cerros archaeological sites were substantially completed at 31 March 2018.

Component 2: Promoting disaster and climate resilient tourist destinations and environmental sustainability

As of 31 March 2018, Component 2 activities have not commenced.

Sustainable Tourism Program II

Notes to the financial statements

(In United States dollars)

1. General Information (continued)

Component 3: Institutional strengthening and capacity building

As of 31 March 2018, the consultancy to update the National Tourism Policy and the Mexican Market Study have been completed. Advertisements to promote Tourism Awareness were aired on local television stations. Several consultancies are underway, including consultancies for the Improvement of National Statistics, the Destination Development Plans Support, Product Development and Branding, and Excursion Sector Training.

Component 4: Management

As of 31 March 2018, the project management team comprised of a Program Manager/ Financial Specialist, Procurement Specialist, Climate Change, Environment and Social Management Specialist, and the Monitoring and Evaluation Project Support Specialist. The Physical Planner and Infrastructure Specialist resigned during fiscal 2018 and replacement came on board after year-end. The Financial Specialist was also promoted to Program Manager in Fiscal 2018, replacement to be hired.

Various acquisitions have been made as of 31 March 2018, including two vehicles, computers, projectors, office furniture, and computer accessories.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, in US dollars (US\$), under the historical cost convention using the 'cash basis', which is a comprehensive basis of accounting. Under cash basis accounting, funds received are recognized on the value date of the deposits into the Project's special account. Project expenditures are recognized when paid.

The Project Execution Unit's accounting and financial reporting system aims to enable users to assess its accountability for the funds available for its activities. In order to satisfy this objective, the following accounting policies were adopted:

Sustainable Tourism Program II

Notes to the financial statements

(In United States dollars)

2. Summary of significant accounting policies (continued)

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the economic environment in which the Project operates ('the functional currency'). The financial statements are presented in United States dollars, which is the Project's functional and presentation currency.

(ii) *Transactions and balances*

The IDB disburses funds in United States dollars which are then credited to the Project's special account in Belize dollars. Disbursements are made by the Project in Belize dollars and justified to the Bank using the same rate of exchange. Transactions in Belize currency and balances have been converted to United States currency at the rate of Bz \$1.00 to US \$0.50. Project Management recognizes foreign currency amounts received from the IDB at the Belize equivalent credited to them by the Central Bank of Belize without accounting for any foreign exchange gain or loss.

(c) Revenue recognition

The fund receipts (cash received from the Bank/or GOB) are recognized and accounted for when they are effectively deposited (value-date) in the Fund's bank account. The expenses are recognized when they are paid (check's date or value-date of direct payment by the Fund).

The Project's statement of cash flows reflects receipts and disbursements relating to the project.

Funds available in the special account are restricted to Project purposes only. Fixed assets procured with Project funds belong to the Ministry of Tourism and Civil Aviation and are restricted to Project purposes until the Project's completion. Project Management is obliged to maintain adequate records to control and protect all its fixed assets as well as other resources secured from Project funding.

(d) Expenses/costs

All expenses/costs related to Project activities are classified where appropriate, according to the procurement and financial plans for the year. No depreciation is charged on these fixed assets acquired by Project funds.

Sustainable Tourism Program II

Notes to the financial statements

(In United States dollars)

3. Cash and bank balances

Cash and cash equivalents may include cash in hand and cash held in the special account at the Central Bank of Belize. As of 31 March 2018 the balance in the special account was US \$878,499.

Each year GOB allocates a specific amount to the project not to exceed GOB's contribution of US\$500,000. Any unused portion is cancelled, and a new allocation is made for the following year. During the year, GOB allocated US \$100,000 to the Project and US \$32,992 was applied to project expenditures covered by GOB.

(i) Advances

During the year, Project Management received two advances of funds totaling: US \$1,200,000.

(ii) Direct payments

Direct payments are payments made directly to suppliers by IDB based on the application for direct payment by Project Management. These applications for withdrawals are supported by relevant authorization and documentation. No direct payments were made by the IDB during the year ended 31 March 2018.

(iii) Repayments/reimbursements

Project Management did not submit a request for reimbursement during the year ended 31 March 2018.

(iv) Payments made by other funders

During the year ended 31 March 2018, the Project Manager was engaged and paid directly by the IDB, through different funding arrangements, to assist the PEU. The Project Manager's one year contract was extended to 31 August 2017 after which the Financial Specialist was promoted to Project Manager and paid with project funds.

4. Risk management

Credit risk and interest rate factors

Financial instruments which potentially subject the Project to concentrations of credit risk consist principally of deposits in the special account with the Central Bank of Belize. The Central Bank of Belize is the regulatory authority for all financial institutions in Belize. The special account does not accrue interest.

Sustainable Tourism Program II

Notes to the financial statements

(In United States dollars)

5. Justification of Advance of Funds

As of 31 March 2018, US \$674,185 had not yet been justified.

6. Taxation

Goods and services supplied to GOB are exempt from the payment of General Sales Tax (GST) under the terms of the General Sales Tax (Amendment of Schedules) (No. 2) Order, 2010 (S.I. No. 38 of 2010) of the Laws of Belize, which came into force on 1 April 2010. The exemption applies to contract payments financed by external donor grant funds or loan funds, except for purchases of any single item costing less than US \$2,500. The project has been applying to the Ministry of Finance for GST exemptions on a case by case basis.