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Certified Public Accountant





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Public Utilities Commission

Financial Statements

March 31, 2020

International Financial Reporting Standards (IFRS)



Contents

	Page No.
Independent Auditor's Report	1
Balance Sheets	3
Statements of Activities and Changes in General Fund	4
Statements of Cash Flows	5
1. General Information	6
2. Basis of Preparation and Accounting Policies	6
3. Significant Accounting Policies	7
4. Fixed Assets and Depreciation	7
5. Revenue Recognition	8
6. Commitments and Contingencies	11
7. Key Management Compensation	13
8. Significant Event	13



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INDEPENDENT AUDITOR'S REPORT

**To: The Board of Commissioners of the
Public Utilities Commission**

REPORT ON THE FINANCIAL STATEMENTS

We were engaged to conduct an audit of the financial statements of the Public Utilities Commission (PUC) which comprise the statement of financial position as of March 31, 2020, the statement of activities and changes in general fund and the statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

Basis for Disclaimer of Opinion

Management of the PUC advised us of its inability to produce certain documentation which were relevant to the audit of its financial statements, owing to the failure of the PUC's previous management to properly account for such documentation. Consequently, we were unable to confirm, or verify by alternative means, related party transactions as well as other transactions included in various expenditure accounts in the statement of activities in an amount in excess of \$650,000 for the year ended March 31, 2020.

As a result of these matters we were unable to determine whether any adjustments might have been found necessary in respect of recorded expenditures or to the required disclosures in the financial statements. The possible effects of undetected misstatements are deemed to be both material and pervasive to the financial statements.

Disclaimer of Opinion on 2020 Financial Statements

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion on the accompanying financial statements for the year ended March 31, 2020.

OTHER MATTERS

The financial statements of the Public Utilities Commission for the year ended March 31, 2019 were audited by us, and we expressed an unmodified opinion on those financial statements, dated October 29, 2020.

MEMBER OF

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



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RESPONSIBILITIES OF MANAGEMENT AND THE DIRECTORS 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 PUC'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 Commission or to cease operations, or has no realistic alternative but to do so.

The Commissioners are responsible for overseeing the PUC'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 International Auditing Standards 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.


Certified Public Accountant

Belize City, Belize
October 15, 2021

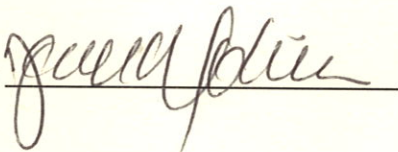
Balance Sheets


31 March

	Notes	2020 \$	2019 \$
ASSETS			
Current Assets			
Cash and Bank	3	1,776,999	1,424,281
Short-term Investments	4	-	343,146
Accounts receivable and prepayments	2.06, 5	879,227	867,263
Total current assets		2,656,226	2,634,690
Other investments	2.10	2,345,481	1,239,454
Net Fixed Assets	2.05, 6	855,851	831,254
TOTAL ASSETS		5,857,558	4,705,398
LIABILITIES & FUND BALANCE			
Current liabilities			
Accounts payable and accruals		57,223	149,109
Judgment Payable		790,600	790,600
Severance Payable	9.03	178,002	157,093
Total current liabilities		1,025,825	1,096,802
Fund Balance			
General Fund		4,831,733	3,608,596
TOTAL LIABILITIES & FUND BALANCE		5,857,558	4,705,398

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

Approved for issue by the Commission on Nov 2, 2021.

Chairman 

Commissioner 

Statements of Activities and Changes in General Fund

Years ended 31 March

	Notes	2020 \$	2019 \$
REVENUES AND SUPPORT			
Fees on Public Utility Providers revenues	2.06	5,627,551	4,782,794
Spectrum fees		454,321	687,117
Other revenues and support	7	7,639	3,701
TOTAL REVENUES		6,089,511	5,473,612
COST AND EXPENSES			
General and administrative expenses	8	3,295,004	4,148,948
Salaries & Wages		1,520,586	1,292,260
Depreciation		50,784	82,181
TOTAL EXPENSES		4,866,374	5,523,389
NET REVENUES (EXPENSES)		1,223,137	(49,777)
Beginning balance, general fund		3,608,596	3,658,373
Ending balance, General Fund		4,831,733	3,608,596

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

Statements of Cash Flows

Years ended 31 March

	2020	2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Revenues (Expenses)	1,223,137	(49,777)
Adjustments for:		
Depreciation	50,784	82,181
Surplus before working capital changes	1,273,921	32,404
Changes in working capital components:		
Accounts receivable and prepayments	(11,964)	733,713
Accounts payable and accruals	(70,977)	(52,790)
Net cash provided by operating activities	1,190,980	713,327
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of short term investment	343,146	288,710
Purchase of property and equipment	(75,381)	(387,471)
Purchase of Other Investments	(1,106,027)	-
Net cash used by investing activities	(838,262)	(98,761)
Net increase in cash	352,718	614,566
Cash and cash equivalents, beginning of period	1,424,281	809,715
Cash and cash equivalents, end of period	1,776,999	1,424,281

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

Notes to Financial Statements

For the years ended March 31, 2020 and 2019 (expressed in Belize Dollars)

GENERAL INFORMATION

1.01 Status

The Public Utilities Commission (the Commission or the PUC) is an autonomous statutory corporation which was established in August, 1999, and is governed by the provisions of the Public Utilities Commission Act, Chapter 223 of the Laws of Belize, Revised Edition 2000 (the Act).

Function of the Commission

In accordance with Section 22(1) of the Act, it shall be the duty of the Commission to ensure that the services rendered by a public utility undertaking operated by a public utility provider are satisfactory and that the charges imposed in respect of those services are reasonable.

The Commission is empowered to:

- a. Enquire into the nature and extent of utility services and to determine and prescribe in accordance with the provisions of the Public Utilities Commission Act, the Electricity Act, the Telecommunications Act, and the Water and Sewerage Act, the standards which must be maintained in relation to such services; and,
- b. Determine and prescribe the rates which may be charged in respect of utility services.

The Commission is headquartered in Belize City, Belize.

1.02 Governance

Section 4(1) of the Act provides for a seven-member Board of Commissioners, appointed by the Governor General, which includes a Chairman who is appointed by the Minister and has responsibility for the day-to-day administration of the affairs of the Commission.

1.03 Basis of Preparation

The financial statements of the Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) and with the significant accounting policies which follow.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions which affect the amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although these estimates are based on management's best knowledge of current events and circumstances, actual results may ultimately differ from estimates.

1.04 Changes in accounting standards

There are no new standards, amendments to existing standards or interpretations which are effective for the first time during the year ended March 31, 2020 and have a material impact on the preparation of the PUC's financial statements. At the balance sheet date, there were a number of new standards and amendments to existing standards in issue but not yet effective.

The PUC has not early-adopted any of these new standards or amendments to existing standards and the PUC will assess their full impact in due course.

Notes to Financial Statements

For the years ended March 31, 2020 and 2019 (expressed in Belize Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been used in the preparation of these financial statements are summarized below. These accounting policies have been used throughout all periods presented in the financial statements.

2.01 Fund Accounting

The General Fund represents the operating fund of the Commission and accounts for the organization's regulatory and administrative activities; this fund reports unrestricted resources.

2.02 Budgets and Budgetary Accounting

The Commission may submit its annual estimates of income and expenditures to the Minister of Finance, in accordance with Section 39(1) of the Act. Expenditures of amounts other than provided for in the estimates must be approved by the Minister of Finance.

The Commission adopts its annual approved budget prepared in accordance with the basic accounting utilized by the General Fund.

2.03 Basis of Accounting

The modified accrual basis of accounting is used by the Commission. Under the modified accrual basis of accounting, certain revenues are recognized when available and measurable. Expenses are recorded when the related fund liability is incurred.

2.04 Currency Translation

(i) Functional and presentation currency

Items included in these financial statements are measured in Belize dollars, the functional currency of the economic environment in which the Commission operates.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Transactions in United States currency and balances at the balance sheet date have been converted at the rate of US \$1.00 to BZ \$2.00.

Currency translation gains and losses, if any, are reflected on the statement of activities.

2.05 Fixed Assets and Depreciation

Property, plant and equipment are valued at transactional prices and, with the exception of land, are depreciated on a straight-line basis to the statement of activities using the following maximum estimated useful lives:

Furniture and fixtures and equipment	10 years;
Motor vehicles	4 years.

The useful lives of the assets are reviewed for any indication of significant change since the last annual reporting date.

Notes to Financial Statements

For the years ended March 31, 2020 and 2019 (expressed in Belize Dollars)

2.06 Revenue Recognition

The Commission recognizes revenues in accordance with the provisions of International Accounting Standards (IAS) 18 and IAS 37. The Commission's sources of revenues include the following:

- a. Fees on Public Utility Providers;
- b. Spectrum Fees;
- c. Other License Fees;
- d. Interest Income.

Fees on Public Utility Providers, Spectrum Fees, Other License Fees

The Commission has adopted its appropriate fee structure in respect of charges on Public Utility Providers based on the provisions and regulations contained in the Electricity Act, the Telecommunications Act, and the Water and Sewerage Act.

Annual license fees paid by the Public Utilities Providers are based on 1.5% of their gross revenues and are recognized in these financial statements when received. Other license fees paid to the Commission are also recognized when received.

Amounts recorded as Accounts Receivable represent past due amounts owing to the PUC by a Public Utility Provider from prior accounting periods which has been acknowledged and confirm, but which were not available and measurable by the Commission in periods for which those amounts relate.

Interest Income

Interest income is recognized on the accrual basis using the effective interest method.

2.07 Accounts Receivable, Cash and Cash Equivalents

These financial assets are initially measured and recorded at the transactional prices. Revenues paid by Utility Providers are recognized on a cash basis. Receivables recorded in relation to past due fees from Utility Providers are periodically assessed, and where objective evidence exists that the carry amounts are not recoverable, an impairment loss is recognized on the statement of activities.

2.08 Other Short-term Financial Assets

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

2.09 Financial Risk Management

The Commission controls its exposure to financial and operational risk and risk of impairment to assets by conducting its activities under policies approved by the Board of Commissioners.

Management has maintained control over cash and the collection of fees. Investment in term deposit is monitored closely for changes in the market rates.

2.10 Investment Property

Land held by the PUC for future use is classified as Investment Property until placed into use. Investment Property is recorded in the accounts at the full transaction price.

Notes to Financial Statements

For the years ended March 31, 2020 and 2019 (expressed in Belize Dollars)

	2020	2019
	\$	\$
3. CASH & BANK		
Current Account - foreign currency (in Bze \$)	517,816	363,805
Current Account - local currency	1,259,183	1,060,476
	1,776,999	1,424,281

4. SHORT-TERM INVESTMENT

Short-term investment consisted of unencumbered fixed deposits held with the Belize Bank Limited for a term of less than one year, at the interest rate of 0.85% per annum.

5. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Accounts Receivable - Public Utility Provider	762,347	762,347
Employee Advances	74,139	58,845
Prepayments	42,741	46,071
	879,227	867,263

6. FIXED ASSETS & DEPRECIATION

	Pre-constr. Costs	Motor Vehicles	Equipment	Computers & Accessories	Furniture & Fixtures	Totals \$
Gross carrying amount						
Balance, April 1, 2019	514,047	3,051,317	98,221	71,557	196,839	3,931,981
Additions	3,011	71,500	-	-	870	75,381
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Balance, March 31, 2020	517,058	3,122,817	98,221	71,557	197,709	4,007,362
Depreciation and impairment						
Balance, April 1, 2019	-	(2,868,000)	(58,569)	(26,393)	(147,765)	(3,100,727)
Disposals	-	-	-	-	-	-
Depreciation	-	(14,104)	(9,822)	(7,156)	(19,702)	(50,784)
Balance, March 31, 2020	-	(2,882,104)	(68,391)	(33,549)	(167,467)	(3,151,511)
Net carrying amount, March 31, 2020	517,058	240,713	29,830	38,008	30,242	855,851
Net carrying amount, March 31, 2019	514,047	183,317	39,652	45,164	49,074	831,254

Notes to Financial Statements

For the years ended March 31, 2020 and 2019 (expressed in Belize Dollars)

	2020	2019
	\$	\$

7. OTHER REVENUES AND SUPPORT

Other income	7,639	3,701
TOTAL	7,639	3,701

8. GENERAL & ADMINISTRATIVE EXPENSES

Contributions to Government of Belize	284,542	452,132
Development Contribution - Government of Belize	526,243	472,188
Professional fees	282,261	442,302
Gratuity	330,795	402,900
Pension Contribution	19,627	22,057
Provision for Severance	20,908	20,341
Telephone and postage	26,091	24,704
Rent	155,165	143,100
Repairs and maintenance	18,988	45,679
Office expenses	47,960	46,089
Fuel and oil	66,902	53,050
Conferences and workshops	64,256	89,829
Promotion, publicity and advertising	100,207	172,194
Training	613,648	912,166
Donations	167,659	325,184
Motor vehicle expenses	109,139	167,179
Dues and subscriptions	2,271	6,721
Insurance	83,484	92,433
Social security expense	25,517	28,574
Security	65,461	60,006
Electricity and water	42,859	34,730
Uniforms	21,210	16,952
Miscellaneous	140,956	118,438
Property tax	16,000	-
Other Credit Card Payments	62,855	-
TOTAL	3,295,004	4,148,948

Notes to Financial Statements

For the years ended March 31, 2020 and 2019 (expressed in Belize Dollars)

3. COMMITMENTS AND CONTINGENCIES

3.01 Contracts

The Commission was a party to several contracts and other arrangements at March 31, 2020, and was contingently liable for contracts which included the following:

- a. International Environments Limited, contract for professional architectural, engineering and design services in connection with the proposed construction of a building for the Commission's headquarters;
- b. Boutros Bou-Nahra – Purchase of Building;
- c. Fred Lumor & Co., contract for legal services;
- d. Orson Elrington, contract for legal services.

3.02 Legal Matters

In the ordinary course of its activities, the Commission is subject to threatened legal actions and proceedings. Based on current knowledge and communication with legal counsel, the Commission is of the view that the outcome of the following litigation matters, which existed at March 31, 2020, would not have a material adverse effect on its financial position.

1. Supreme Court Claim No. 691 of 2011 – Consolidated Water Belize Limited v Public Utilities Commission AND Civil Appeal No.10 of 2018

Consolidated Water Belize Limited (Consolidated) commenced this claim on 28th October, 2011 against the PUC. Consolidated sought certain declaratory orders against the PUC flowing from a complaint dated 10th September, 2010 made by San Pedro Business Association against Belize Water Services Limited and Consolidated. The claim was heard before the Honourable Chief Justice who, on 29th November, 2012, reserved the decision in the matter to a date to be notified by the Court. After a period of five (5) years, the Supreme Court delivered the decision on 8th December, 2017. The Learned Chief Justice quashed the regulatory orders the PUC made against Consolidated on the grounds that the orders were unlawful, void and of no effect.

The PUC lodged Civil Appeal No. 10 of 2018 against the decision of the Honourable Chief Justice on 20th February, 2018. The appeal was heard on 12th June, 2020. On 26th October, 2020, the Court of Appeal set aside the decision of the Chief Justice and awarded costs of the proceedings in the Supreme Court and Court of Appeals to the PUC.

Notes to Financial Statements

For the years ended March 31, 2020 and 2019 (expressed in Belize Dollars)

Legal Matters (cont'd.)

2. Supreme Court Claim No. 166 of 2017 – Speednet Communications Ltd. v Public Utilities Commission AND Civil Appeal No. 13 of 2018 – PUC v Speednet Communications Ltd.

The Claimant, Speednet Communication Ltd., applied to the Supreme Court on 5th June, 2017 for judicial review of the decision of the PUC to charge Speednet the sum of \$1,440,000.00 as spectrum allocation licence fees for the period of 2010 to 2016 “which the PUC has not issued”. Madam Justice Arana in her decision delivered on 2nd March, 2018 declared the sum of \$1,440,000.00 the PUC charged as spectrum licence fees for the period 2010 to 2016 as unlawful and null and void. The Learned Judge also granted a permanent injunction against the PUC restraining it from seeking to collect the licence fees.

The PUC lodged Civil Appeal No. 13 of 2018 against the decision of Madam Justice Arana on 11th May, 2018. On 21st June, 2019 the Court of Appeal set aside the decision of Justice Arana, including the permanent injunction.

Speednet Communication Limited filed Caribbean Court of Justice (CCJ) Appeal No. BZCV2020/001 against the decision of the Belize Court of Appeal. The appeal was heard by the CCJ on 14th October, 2020 and a decision was reserved. On the advise of the CCJ, the matter was amicably settled between the parties in a consent order which the Caribbean Court of Justice entered on 19th January, 2021.

3. Supreme Court Claim No. 275 of 2009 – Public Utilities Commission

The PUC commenced this claim in March, 2009 against the Attorney General of Belize and Belize Telemedia Limited seeking declarations, costs and further or other relief.

As of balance sheet date, this claim was pending in the Supreme Court awaiting a trial date.

9.03 Employment Benefits

The Commission recognizes termination benefits in accordance with the Labour Act, Chapter 297 of the Laws of Belize. The Labour Act was revised in April, 2011 to require that employees who have been employed for (a) five to ten years be paid severance pay of one week's pay for each year of service upon termination and, (b) employees with more than ten years be paid, upon termination or resignation, severance pay of one week's pay for each year of service prior to April, 2011 and two week's pay for each year of service after April, 2011.

Liabilities in relation to the provisions of the Labour Act are reflected in these financial statements as Severance Payable.

9.04 Pension Plan

By a Trust Deed dated March 3, 2015, the Commission established the Public Utilities Commission Pension Plan (the Pension Plan).

9.05 The Pension Plan is a “non-contributory, defined contribution plan” in which the employees are not obliged to make payments, but may do so voluntarily (non-contributory); benefits to be paid from the Pension Plan are not fixed, but are based on accumulated amounts for each qualifying employee. Contribution by the Commission is fixed at 4% of gross salaries (defined contribution).

Notes to Financial Statements

For the years ended March 31, 2020 and 2019 (expressed in Belize Dollars)

9.06 The effective date of the Pension Plan is April 1, 2009, and it covers all full-time employees and full-time contract workers.

9.07 These financial statements have not been adjusted to reflect the obligation of the Commission for contributions to the Plan prior to March 3, 2015.

10. DEVELOPMENT CONTRIBUTION

On March 18, 2017, the Government of Belize enacted legislation, "Statutory Bodies (Development Contribution) Act, 2017, which imposes a ten percent levy on the revenues of certain statutory bodies, known as a "development contribution".

The development contribution is payable by the Commission into the Consolidated Revenue Fund of the Government of Belize, on a quarterly basis.

11. TAXATION

The activities of the Public Utilities Commission are not subject to income taxes.

12. KEY MANAGEMENT AND BOARD COMPENSATION

12.01 Section 4 of the Act provides for a Board of Commissioners which shall be responsible for the policy and the general administration of the affairs of the Commission.

12.02 The Board consisted of six Commissioners at March 31, 2019, with a total (combined) annual compensation of \$296,895.

12.03 The total compensation of the Chairman was \$180,000.

12.04 Members of the Board of Commissioners are compensated on a per-meeting basis. At March 31, 2020, the rate was \$1,250 per meeting of the Commission.

13. SIGNIFICANT EVENT

On March 11, 2020 the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic, which was followed by a declaration on March 31, 2020, by the Prime Minister of Belize, of a National State of Emergency that resulted in a nationwide shutdown on April 1, 2020.

The Pandemic and Going Concern

The COVID-19 pandemic has not had a significant effect on the assets, revenues and operations of the PUC. Although the Commission has made a number of internal operating adjustments it considers necessary to mitigate, as best as possible, the actual or potential impact of the pandemic on its staff, management has no intentions of making substantive operational changes. Accordingly, the Public Utilities Commission is expected to continue to operate as a going concern for the foreseeable future.