



Financial Statements and Independent Auditors' Report

Municipality of Mamusha

31 December 2010

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# Independent Auditors' Report

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To the Mayor of the Municipality Mamusha ,

## **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of Municipality of Mamusha ("the Municipality"), which comprise the Statement of Cash Receipts and Payments for the year ended 31 December 2010, Budget Execution Report and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards "Financial Reporting Under the Cash Based Accounting", with the Administrative Instruction No. 16/2010 on Annual Reporting of Budget Organizations and with Administrative instructions No. 15/2009, 18/2009 and 21/2009, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described on the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence in order to provide a basis for an audit opinion.

*Basis for Disclaimer of Opinion*

1. The Municipality does not maintain listings of payments from third parties. Due to the nature of records kept in the accounting and operational systems for payments from third parties, as well as the absence of alternative controls implemented by management, we were not able to perform sufficient and appropriate audit tests to verify the completeness of the payments from third parties recognized for the year ended 31 December 2010.
2. As of 31 December 2010 the Municipality did not disclose its accounts receivables related the property tax, tax on business licence and other tax receivables which is required by the Administrative Instruction 16/2010. Additionally, the Municipality does not maintain complete debtors' records. Hence, we were not able applying standard and alternative procedures to satisfy ourselves with the existence of account receivables as of 31 December 2010.
3. As it is disclosed in note 11 of the accompanying financial statements the taxation amounts to Eur 753 thousands. We were not presented with any source documents regarding this disclosure. Hence, we were not able applying standard and alternative procedures to satisfy ourselves with the nature of the disclosed amount as of 31 December 2010.

*Disclaimer of Opinion*

Because of the significance 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 basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

*Emphasis of matters*

We draw attention to the following:

Following deficiencies and uncertainties related to the Municipality's financial reporting of property, plant and equipment have been identified:

- The Municipality's Financial Statements as of 31 December 2010 as disclosed in note 27, property, plant and equipment are not reconciled with its assets registry. The Municipality did not registered property, plant and equipment in the Kosovo Financial Management Information System (referred to as "KFMIS").
- Owing to the lack of supporting documentation for the measurement of a significant part of its real estate property, the Municipality measures such items at fair value based on a valuation performed by an internally established committee. The committee is not composed of certified appraisers and the values stated in its list are not supported by any valuation report based on instruction in Administrative Instruction 21/2009.
- The Municipality did not disclosed property, plant and equipment by category which is requested by Administrative Instruction no 21/2009 article 4, section 6 from point 6.1-6.14.

### **Report on other Legal and Regulatory Requirements**

In addition to our audit of the financial statements, a compliance review was planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them. The nature, timing and extent of the compliance work were limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

#### ***Auditor's Responsibility***

Our responsibility is to express a conclusion based on our review. Our work was conducted in accordance with the ISSAI 4200 Compliance Audit Guidelines Related to Audit of Financial Statements. Those principles require that we comply with ethical requirements and plan and perform the review so as to obtain limited assurance as to whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

A review is limited primarily to analytical procedures and to inquiries, and therefore provides less assurance than an audit. We have not performed an audit, and, accordingly, we express our conclusion in the form of limited assurance, which is consistent with the more limited work we have performed under this compliance review.

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

#### ***Conclusion on Compliance***

Based on our work described in this report, the activities, financial transactions and information reflected in the financial statements that have come to our notice during the audit, are in all material respects, in compliance with the authorities which govern them.

#### ***Other matters***

We draw attention to the following:

- a) The primary reliable source of information for the preparation of financial statements is Free Balance. The Municipality has not implemented internal and integrated accounting software that would ensure timely, complete and accurate information for reporting purposes.
- b) The Municipality has not implemented a comprehensive and automated billing system and does not maintain separate sub ledgers or lists of all its debtors regarding various taxes. Instead only cash collections from revenue streams are recorded. This might have impact on the revenues that Municipality can earn and the ability to prepare a reliable and accurate budget, to report an accurate collection ratio, and monitor the collection of the own source revenues on a timely basis.
- c) We identified a number of non-compliances with Law No. 02/L-99 promulgated with Regulation No.2007/20 which is derivate from the procurement regulation 2003/17 "Law on Public Procurement in Kosovo". Such non-compliances relate to required procurement procedures which are not regularly performed and documented by the Municipality.

- d) Although the Municipality may be involved in several minor legal cases and it is probable that future cash outflows might be required in the near future, the Municipality did not design and implement any procedure for complete, accurate and reliable information for recording provisions and contingent liabilities.

**Grant Thornton**

Prishtina,  
8 April 2011

# Appendix I

Management letter

Mamusha Municipality

## General

### **Audit for 2010**

Grant Thornton LLC has been appointed to perform an audit of the Municipality of Mamusha ("the Municipality") annual financial statements prepared in accordance with Cash Basis IPSAS Financial Reporting Under the Cash Basis of Accounting, for the year ended 31 December 2010.

Our advice in this document is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the facts stated below, assumptions and representations. If any of the foregoing facts, assumptions or representations is not entirely complete or accurate, it is imperative that we be informed immediately, as the inaccuracy or incompleteness could have a material effect on our conclusions. In rendering our advice, we are relying upon the relevant provisions of the current legislation in Kosovo, the regulations there under, and the judicial and administrative interpretations thereof. These authorities are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of our conclusions. We will not update our advice for subsequent changes or modifications to the law and regulations or to the judicial and administrative interpretations thereof.

### **Consequences**

This report is designed to include useful recommendations that may help to improve the accounting policies and accounting and control system of the Municipality and to avoid weaknesses that could lead to material loss or misstatement. It is your obligation to take the actions needed to remedy those weaknesses and should you fail to do so we shall not be held responsible if loss or misstatement occurs as a result.

### **Fraud exclusion**

As agreed, you have also acknowledged that because of the importance to our work of the information and representations supplied to us by the Municipality, its directors, employees or agents, you shall not, other than in the event of our negligence, bad faith or willful default, hold us responsible or liable for any losses or other consequences if information material to our task is deliberately withheld or concealed from us or fraudulently represented to us.

### **Structure of this report**

Each class of observations is described on a different page. For each observation the structure is: finding, risk, recommendation and management response.



# Current Year Findings

## **1 Preparation of financial statements**

### Finding

The primary reliable source of information for the preparation of financial statements is Free Balance. The Municipality records its receipts and payments in excel spreadsheets, which are not used to prepare all the notes and disclosures to the financial statements.

In addition, the following information which is required to be disclosed in the financial statements is not recorded in Free Balance and is not part of integrated accounting software:

- Payments from third parties;
- Outstanding invoices (liabilities/contingencies);
- Property, plant and equipment.

Although the Municipality may be involved in several minor legal cases and it is probable that future cash outflows might be required in the near future, the Municipality does not have in place any formal process that would ensure complete, adequate and reliable information for recording provisions and contingent liabilities.

As a result of the aforementioned weaknesses the following was omitted or improperly disclosed in the financial statements:

- Section 15. Non-financial assets Financial Statements as of 31 December 2010 on disclosures in note 27 regarding property, plant and equipment are not reconciled with its assets registry;
- The Municipality appointed an certifying officer for recording data within accounting data in Financial Management Information System in Kosovo (FMISK), but he did not performed all requirements based on AI 21/2009 article 4 section 6, point from 6.1 to 6.14;
- Section 11, note 12.1 Own source revenues Administrative Tax Revenue', which details administrative tax revenue, was not properly disclosed because note 12.1 did not disclosed for amount of 8 thousand as per administrative instructions, as the revenue from certificates is recorded as total and not detailed as per different certificates;
- There may be significant payments from third parties (for example when another party such as Ministry or foreign donor buys/contributes an asset for use by the Municipality) which could not be recorded in the financial statements because they are not recorded in the Free Balance;
- Section 16, Note 29 Contingent Liability is not completed.

We were informed that although Mamusha administrative unit started to operate as a separate pilot unit from the year 2005, it obtained the status of a municipality in 2008.

**Current Year Findings (continued)**

**Preparation of financial statements (continued)**

**Risk**

The weaknesses in the internal controls related to the financial reporting system might expose the Municipality to risks and misstatements related to the following:

- Completeness and accuracy of the financial information;
- Integrity of data;
- Assets safeguard; and
- Non-recording of payments from third parties may result in such assets/services being used rent-free by parties other than the Municipality.

**Recommendation**

The preparation of the Municipality's financial statements should include procedures and tools that are designed to ensure that information required is recorded, processed, summarized and appropriately reported in the financial statements.

**Management response**

None.

Current Year Findings (continued)

## **2 Property, plant and equipment management**

### **Finding**

The Municipality maintains a register of its property, plant and equipment. However it is not reconciled with its financial statements.

Owing to the lack of supporting documentation for the measurement of a significant part of its real estate property, the Municipality measures such items at fair value based on a valuation performed by an internally established committee. The committee is not composed of certified appraisers and the values stated in its list are not supported by any valuation report.

Due to the nature of these records, the Municipality was not able to:

- A provide us with a reconciliation of assets registry with Financial Statements.
- Provide us accounting data from Financial Management Information System in Kosovo (FMISK).
- Provide us with a reconciliation of the information booked in the assets registers, to either valuation tables or to any other analysis, prior to the approval of these financial statements.
- Provide sufficient and adequate control procedures for effective monitoring over the compliance with the administrative instruction no 21/2009 on Management of Government Property Maintain a comprehensive register of PPE.
- Provide accounting data in Financial Management Information System in Kosovo (FMISK).

### **Risk**

The Municipality maintains property, plant and equipment register, which it is not reconciled with its financial statements. This weakness in the internal controls over these assets may lead to assets being misappropriated and not being identified as such on a timely basis. Additionally, management may waste time and effort to identify the details and the carrying value of the assets, during any related decision making processes.

The Municipality may be unable to control the current use of its properties by any third party, and as a consequence may not collect rental revenues for such properties.

Due to the nature of its records and lack of a proper valuation of its assets, the Municipality may be unable to comply with the reporting requirements.

### **Recommendation**

We recommend the Mayor ensures that the Municipality considers the following:

- Reconcile and maintain comprehensive asset register with Financial Statements.
- Involve additional resources in the registration and valuation of the assets of the Municipality. Involvement of independent and certified appraisers is recommended as the best practice in such cases.
- Perform regular physical counts to ensure the existence of the assets and their condition and agree the results of the counts with the accounting records and the register.
- Make additional efforts in relation to add values on capitalized assets.

### **Management response**

None.

Current Year Findings (continued)

### 3 Revenues

#### Finding

- **Billing systems.** An automated billing system exists only for tax on property. For other categories of revenues for which the billing system is required, it is not applied. Instead only cash collections from such revenue streams are recorded.

**Weaknesses in the automated billing system.** During 2010 the tax on property billing system was centralized and the Municipality could not review and monitor appropriately the collection of revenue as it was automatically done by the new system. Cases could exist where the customer had paid property tax, but the collected amount was not recorded in the system and the customer was charged with penalty even though the tax was paid on time.

The billing system related to for tax on property does not show all invoiced debtors and receivables as of 31 December 2010.

According to the regulation for tax on properties, all new properties identified up to end of March 2010 of the year are charged property tax for the entire calendar year, while properties identified after 31 March 2010 are only charged property tax commencing in the following calendar year.

No significant changes from prior year regarding the application regulation of Communal Assembly for taxes and tariffs there are specified two zones for categorization of properties, based on which the property tax is applied, but in fact all the properties during 2009 were charged with tariffs of only one zone. This is because the client got the database from Prizren on which Mamusha appears as a zone of Prizren and all properties were charged with the same tariffs. The Municipality's regulation for tax, charges, fines and services provided by the Municipality was approved by the municipal assembly only by November 30,2010.

- **Revenue from business licenses.** The Municipality does not obtain from the Ministry of Trade and Industry the total number of active businesses in the Municipality. Therefore, inactive or terminated businesses might be charged, while active or new businesses not charged. No actions have been taken by the Municipality to confirm number of businesses operated in the Municipality with list of businesses as per Tax Authorities or Business Registration Centre in Ministry of Trade and Industry.
- Based on Administrative Instruction 16/2010, as of 31 December 2010 the Municipality is obliged to report its accounts receivables related the property tax, tax on business licence and other tax receivables.
- The reconciliation between Own Source Revenue Officer and Treasury Department was done quarterly for the total amount of revenues. During 2010 we identified that no reconciliation has been performed between the accounting records, records provided by own source revenue officer and the operational departments, so that differences exist when compare data from these two sources.
- Based on our examination of source documents related to certain revenues, we identified differences within the various economic codes.

**Current Year Findings (continued)**

**Revenues (continued)**

- Segregation of Duties – until June 2010, the revenue from administrative on several different services was collected in cash since the amounts were less than EUR 10. The employee that was in charge of cash collections at the same time delivered the service and kept the registers for all types of certificates issued and other services delivered. After this date the cash was deposits from other person. Collection of revenue from participation from Health department is not transferred to bank on daily basis.
- Revenues from health participations. The Municipality does not perform proper controls over the collection of revenues from health participations. There has not been implemented the health participation of 0.30 euro from the medicaments of essential list as is specified in the communal assembly regulation for taxes, fines and tariffs.

**Risk**

Lack of accuracy and completeness of accounts receivables ledgers will impact the revenues that the Municipality can earn. Without sufficient, detailed, and accurate records of debtors and reports on collections, the Municipality is unable to prepare a reliable and accurate budget, to neither report an accurate collection ratio, nor follow up the collection of the own source revenues on a timely basis. Furthermore, the low collection of revenues will impact the investing capacity of the Municipality.

Improper and insufficient controls related to revenues and the related software and billing system increase the risk of manipulation of figures and misuse of information. Such a system could lead to incomplete billing and incomplete revenues.

The manual recording and lack of interface of the billing and accounting system exposes the Municipality to additional risk of errors. In addition, it causes additional costs for the record keeping, review and reconciliation of information.

The detailed and updated list of individual tax payers, active businesses and debtors generated by the system is especially important in the current situation where the municipalities do not record each individual transaction in the Free Balance. Consequently, except for taxes on property, the Treasury and Municipality are not provided with a detailed list produced by the accounting system or the billing system. As a result, it is not possible to perform a proper reconciliation or analysis by debtor.

**Recommendation**

We recommend the Mayor ensures that the Municipality takes steps to improve the billing and accounting systems in order to ensure safe, efficient and effective controls on the billing and the revenue. Improvement of the procedures related to such systems would enable the management to monitor and manage significant risks, and to ensure that decisions related to budgeting, planning and collection of revenues are properly carried out. We recommend that the Municipality:

- Implement a billing system that includes updated details about the payers, their current address, history and collection rating. Such information should be accessible only to a limited number of persons and with the authorization of the management.

Current Year Findings (continued)

Revenues (continued)

- Enter and centrally control the approved tariffs and tax rates in the system in order to calculate and generate the bills automatically. The generation of bills should also be authorized and reviewed.
- Automatically inter-connect the billing system with the accounting software so that the information is automatically processed into the general ledger.
- Perform regular reconciliations between the two systems on a regular basis for all types of revenues. Any reconciling differences should be promptly followed up and cleared in a timely manner.
- We advise the Municipality to take actions and use efforts to put in billing centralized system also the identified customers after 31 March current year. The entering of data and centralized control over the approved tariffs and tax rates in the system should also be established in order to calculate and generate the bills automatically. The generation of bills should also be authorized and reviewed.
- Automatically link the operational and billing units and perform regular reconciliations between them, in cases where the billing is directly related to services supplied by the operational units. This is especially important where a high volume of transactions is executed.
- We advise the Municipality to maintain permanent communication with Business Registration Centre in Ministry of Trade and Industry regarding businesses which operates in the Municipality and to charge them for the taxes prescribed by Laws and Regulations.
- Ensure a proper segregation of duties.

Management response

None.

## 4 Expenditures

### Finding

#### *Goods and services*

Based on our audit of transactions and activities within this category we identified the following irregularities:

- Expenses paid for Tomato festival in the amount of Euro 6,624 (invoice 60/a) and Euro 8,120.6 (invoice 62/a) were recorded on the economic code 31900 as capital expenses. (Contract no. 626/10/016/121).
- Expenses made for cleaning and road maintenance in the amounts Euro 472.35; 472.35; 472.35; 472.35 (total amount Euro 1,889) were posted in the economic code 31900 as capital expenses, instead of 14030 - maintenance of road infrastructure.

#### Current Year Findings (continued)

##### Expenditures (continued)

- Expense made for furniture supply invoice No. 14058 in the amount of Euro 3,499.89 were posted in the economic code no. 31690 as other equipment, instead of economic code 31620 if the expense is more than Euro 1,000.00 Contract no.( 626/10/007/136).
- We were not provided with complete documentation, including agenda of the visit, for the expenses made for business meal in the amounts of Euro 294 (invoice no. 134724); Euro 425 (invoice no. 75); Euro 460 (invoice no. 6/10) and expenses for accommodation of five guests from Turkey in the amount of Euro 560 (invoice no.76), as well as for the Municipality's officials travels abroad i.e. expense made in amount of Euro 230.20.

##### Risk

Lack of supporting documents and payments made from not adequate economic code may lead to non-compliance with Law of Public Financial Management and Accountability (the "LPMFA") nr.03/L-048 and Treasury Administrative Instruction 02/2009, and to misuse of public money and to inaccurate financial statements.

##### Recommendation

Municipality should be aware and pay attention to make payments from adequate economic code in order to comply with requirements of with Law of Public Financial Management and Accountability (the "LPMFA") nr.03/L-048 and Treasury Administrative Instruction 02/2009. In addition, all payments should be supported with original documentation.

##### Management response

None.

##### *Salaries*

##### Finding

Based on our examination of the employee's files we found that some of files are not completed with all necessary documents, as follows:

- Evaluation of recruiting interview
- Evaluation report for the work done at the end of the year
- Evaluation for training needs
- Certificate of training and courses
- The Municipality does not hold monthly payroll containing all its employees in order to make the necessary reconciliations with financial statement.
- At the end of 2010, the employees of the Municipality received addition payment, which was due to Ministry of Public Services decision on the name of "per diems". The overtime and the other payments per diems received by the employees were booked in the same codes as salaries. As per regulation –chart of accounts for Municipality budget, there is specific expenses code which is 11200, dedicated to overtime and other payments in addition to regular salaries.

**Current Year Findings (continued)**

**Expenditures (continued)**

**Risk**

Lack of supporting documents and payments made from not adequate economic code may lead to non-compliance with Laws or Contract requirements, to misuse of public money and to inaccurate financial statements.

**Recommendation**

The Municipality should establish sufficient adequate control procedures for effective monitoring over the compliance with the applicable laws and regulations.

**Management response**

None.

*Procurement procedure*

**Finding**

Based on our examination of source documentation related to the tender procedure applied in the Municipality we identified certain irregularities:

- Members that were appointed for the technical acceptance of works for the project "Pavement of roads in Mamusha" do not possess technical professional competence (Procurement no. 626-10-004-521). Additionally, the person who was appointed in the committee for technical acceptance of that project was, at the same time, responsible expenditure officer in the Municipality.

**Risk**

Lack of technical professional staff included in the tender procedures may expose the Municipality to risks of significant losses.

Although the above findings do not have a material impact on the financial statements, lack of timely communication and approvals from authorities or incomplete documentation in the procurement files may lead to non-compliance with Laws or Regulatory requirements.

**Recommendation**

The Municipality should have within their team technical professional staff or to engage from outside professional staff for certain projects in order to certificate the quality of works as they are determinates on Municipality requirements.

We recommend the Mayor ensures that the Municipality takes further steps to improve controls over expenses and payments and strictly comply with laws and local regulatory requirements.

**Management response**

None.



**Current Year Findings (continued)**

**Expenditures (continued)**

*Subsidies and transfers*

**Findings**

The Municipality does not have written policy on subventions, that will contain criteria and the procedures for subvention allowance, so the subventions are allowed only based on the Municipality Chairman decision.

Based on decision of Municipality Chairman No.042-10, the amount of Euro 350.00 was paid to SH.H. "Shpresa Jone"-Suhareke. The payment was performed for travelling of pupils to the Permet town in Albania in order to take part with the project "Naimi and Nation" on date 25 May.2010. We were not provided with complete supporting documentation for this subvention (agenda and the number of pupils that took part in this event).

**Risk**

Lack of timely communication and approvals from authorities or incomplete documentation may lead to non-compliance with Laws or Contract requirements and to significant losses.

**Recommendation**

The Municipality should establish sufficient adequate control procedures for effective monitoring over the compliance with the applicable laws and regulations.

**Management response**

None.

**5 Internal Audit**

- The Municipality has not established Audit Committee and an Internal Audit function. No action was undertaken by responsible to address this issue which was reported in our prior year audit.

**Risk**

The absence of an Audit Committee and an Internal Audit function increases the risk of failure in internal controls. In addition, it does not allow for the functions usually covered by the Audit Committee to be performed with the appropriate independence.

**Recommendation**

We recommend the Mayor ensures Municipality considers the establishment of an Internal Audit function and an Audit Committee with members having relevant expertise of financial reporting and internal controls. The Audit Committee should establish appropriate policies and procedures to ensure a high standard of corporate governance. The Audit Committee should review the current status and propose actions for improvement on the following:

- Municipality's accounting and financial reporting process;
- Assessment of internal control systems implemented by management;
- Internal and external audit processes;

Current Year Findings (continued)

Internal audit (continued)

- Compliance, reporting and control structures throughout the Municipality to ensure compliance with financial, regulatory and legal requirements;
- Internal Audit plan and follow-up of Internal Audit findings.

Management response

None.

# Prior year findings follow up

## **1 Preparation of financial statements**

### **Finding**

The primary reliable source of information for the preparation of financial statements is Free Balance. The Municipality records its receipts and payments in excel spreadsheets, which are not used to prepare all the notes and disclosures to the financial statements.

In addition, the following information which is required to be disclosed in the financial statements is not recorded in Free Balance and is not part of integrated accounting software:

- Payments from third parties;
- Outstanding invoices (liabilities);
- Property, plant and equipment.

Although the Municipality may be involved in several minor legal cases and it is probable that future cash outflows might be required in the near future, the Municipality does not have in place any formal process that would ensure complete, adequate and reliable information for recording provisions and contingent liabilities.

As a result of the aforementioned weaknesses the following was omitted or improperly disclosed in the financial statements:

- Section 15. Non-financial assets Financial Statements as of 31 December 2009 on disclosures in note 27 regarding property, plant and equipment are not reconciled with its assets registry;
- The Municipality does not have still certifying officer for recording data within accounting data in Financial Management Information System in Kosovo (FMISK);
- Section 11, note 12.1 Own source revenues Administrative Tax Revenue', which details administrative tax revenue, was not completed as per administrative instructions, as the revenue from certificates is recorded as total and not detailed as per different certificates;
- There may be significant payments from third parties (for example when another party such as Ministry or foreign donor buys/contributes an asset for use by the Municipality) which could not be recorded in the financial statements because they are not recorded in the Free Balance;
- Section 16, Note 29 Contingent Liability is not completed.

We were informed that although Mamusha administrative unit started to operate as a separate pilot unit from the year 2005, it obtained the status of a municipality in 2008. The Municipality started to prepare financial statements in 2008 while it did not prepare a complete set of financial statements for the previous years. As a result, the comparative information for 2007 was not audited

Prior Year Findings follow up (continued)

## **2 Property, plant and equipment management**

### **Finding**

The Municipality maintains a register of its property, plant and equipment; however it is not reconciled with its financial statements.

Owing to the lack of supporting documentation for the measurement of a significant part of its real estate property, the Municipality measures such items at fair value based on a valuation performed by an internally established committee. The committee is not composed of certified appraisers and the values stated in its list are not supported by any valuation report.

Due to the nature of these records, the Municipality was not able to:

- A provide us with a reconciliation of assets registry with Financial Statements.
- Provide us accounting data from Financial Management Information System in Kosovo (FMISK).
- Provide us with a reconciliation of the information booked in the assets registers, to either valuation tables or to any other analysis, prior to the approval of these financial statements.

## **3 Revenues**

### **Finding**

- **Billing systems.** An automated billing system exists only for tax on property. For other categories of revenues for which the billing system is required, it is not applied. Instead only cash collections from such revenue streams are recorded.

**Weaknesses in the automated billing system-**During 2009 the tax on property billing system was centralized and the municipality could not review and monitor appropriately the collection of revenue as it was automatically done by the new system. Cases could exist where the customer had paid property tax, but the collected amount was not recorded in the system and the customer was charged with penalty even though the tax was paid on time.

The billing system related to for tax on property does not show all invoiced debtors and receivables as of 31 December 2009.

In the regulation of Communal Assembly for taxes and tariffs there are specified two zones for categorization of properties, based on which the property tax is applied, but in fact all the properties during 2009 were charged with tariffs of only one zone. This is because the client got the database from Prizren on which Mamusha appears as a zone of Prizren and all properties were charged with the same tariffs.

- **Revenue from business licenses.** The Municipality does not obtain from the Ministry of Trade and Industry the total number of active businesses in the Municipality. Therefore, inactive or terminated businesses might be charged, while active or new businesses not charged.

While testing the revenues from Business Licences we have found that a decision for working license issued to Hakan Commerce on the date which is before the date of approval of the Communal Assembly's regulation for taxes and tariffs was charged with tariffs of new regulation and not with the regulation which was relevant for that period.

Prior Year Findings follow up (continued)

Revenues (continued)

- **Segregation of duties.** During 2009, the revenue from administrative taxes that is collected on several different services was collected in cash since the amounts were less than EUR 10. The employee that was in charge of cash collections at the same time delivered the service and kept the registers for all types of certificates issued and other services delivered.
- **Revenues from health participations.** The Municipality does not perform proper controls over the collection of revenues from health participations. There has not been implemented the health participation of 0.30 euro from the medicaments of essential list as is specified in the communal assembly regulation for taxes, fines and tariffs.

#### **4 Expenditures**

**Finding**

*Wages and salaries*

In cases when a teacher resigns, it takes at least a month to notify the personnel office and the Ministry of Public Services in order that the Ministry can reflect the change in the payroll list. Given such a delay, a teacher may continue to receive compensation even after resignation.

*Procurement procedure*

On the tender number 626-09-031-136 named "Supply with wood and coal for the school's needs" are required 111 m<sup>3</sup> wood; however, according to the letter for the origin and the availability of the wood, the winner party has made available only 35 m<sup>3</sup>.

On the tender number 626-09-029-136 Date for technical acceptance of goods 21.09.09 - earlier than signed contract 25.09.09.

#### **5 Internal Audit**

**Finding**

- The Municipality has not established Audit Committee and an Internal Audit function

#### **Current year status**

Current year status of the aforementioned findings is discussed in Section Current year findings in Notes 1 to 5

## Appendix II

### Municipality of Mamusha

Different forms of Audit Opinion applied by the  
Office of Auditor General in the Audit Report for  
2010

(Extract from ISSAI 400)

## Different forms of Audit Opinion applied by the Office of Auditor General in the Audit Report for 2010

An audit opinion is normally in a standard format, relating to the financial statements as a whole, thus avoiding the need to state at length what lies behind it but conveying by its nature a general understanding among readers as to its meaning. The nature of these words will be influenced by the legal framework for the audit, but the content of the opinion will need to indicate unambiguously whether it is unqualified or qualified and, if the latter, whether it is qualified in certain respects or is adverse (paragraph 14) or a disclaimer (paragraph 15) of opinion.

An **unqualified opinion** is given when the auditor is satisfied in all material respects that:

- (a) The financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;
- (b) The statements comply with statutory requirements and relevant regulations;
- (c) The view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and
- (d) There is adequate disclosure of all material matters relevant to the financial statements.

**Emphasis of Matter.** In certain circumstances the auditor may consider that the reader will not obtain a proper understanding of the financial statements unless attention is drawn to unusual or important matters. As a general principle the auditor issuing an unqualified opinion does not make reference to specific aspects of the financial statements in the opinion in case this should be misconstrued as being a qualification. In order to avoid giving that impression, references which are meant as "emphasis of matter" are contained in a separate paragraph from the opinion. However, the auditor should not make use of an emphasis of matter to rectify a lack of appropriate disclosure in the financial statements, nor as an alternative to, or a substitute for, qualifying the opinion.

An auditor may not be able to express an unqualified opinion when any of the following circumstances exist and, in the auditor's judgment, their effect is or may be material to the financial statements:

- (a) There has been limitation on the scope of the audit;
- (b) The auditor considers that the statements are incomplete or misleading or there is an unjustified departure from acceptable accounting standards; or
- (a) There is uncertainty affecting the financial statements.

**Qualified Opinion.** Where the auditor disagrees with or is uncertain about one or more particular items in the financial statements which are material but not fundamental to an understanding of the statements, a qualified opinion should be given. The wording of the opinion normally indicates a satisfactory outcome to the audit subject to a clear and concise statement of the matters of disagreement or uncertainty giving rise to the qualified opinion.

It helps the users of the statements if the financial effect of the uncertainty or disagreement is quantified by the auditor although this is not always practicable or relevant.

**Adverse Opinion.** Where the auditor is unable to form an opinion on the financial statements taken as a whole due to disagreement which is so fundamental that it undermines the position presented to the extent that an opinion which is qualified in certain respects would not be adequate, an adverse opinion is given. The wording of such an opinion makes clear that the financial statements are not fairly stated, specifying clearly and concisely all the matters of disagreement. Again, it is helpful if the financial effect on the financial statements is quantified where relevant and practicable.

**Disclaimer of Opinion.** Where the auditor is unable to arrive at an opinion regarding the financial statements taken as a whole due to an uncertainty or scope restriction which is so fundamental that an opinion which is qualified in certain respects would not be adequate, a disclaimer is given. The wording of such a disclaimer makes clear that an opinion cannot be given, specifying clearly and concisely all matters of uncertainty. It is customary for SAIs to provide a detailed report amplifying the opinion in circumstances in which it has been unable to give an unqualified opinion.



# Appendix III

Mamusha Municipality

Financial Statements as of and for the year ended

31 December 2010

# Financial Statements as of and for the year ended 31 December 2010

## **DECLARATION REGARDING PRESENTATION OF FINANCIAL STATEMENTS**

**To: Lulzim Ismajli, Director of Treasury**

**From: Chief Administrative Officer and Chief Financial Officer**

In our opinion, the attached consolidated financial statements and the notes to these statements for the year ended on 31 December 2010 have been prepared in accordance with the International Public Sector Accounting Standards "Financial Reporting Under the Cash Based Accounting", adhere to all reporting requirements of the Law on Public Finance and Accountability No. 03/L-048 and Law no 03/L-221 on amendments to the LPFMA and are based on properly maintained financial records.

This declaration is provided in connection with the presentation of the Kosovo General Budget financial statements of the budget organizations for the year ended on 31 December 2010.

We confirm, to the best of our knowledge and belief, that:

There have been no irregularities involving management or employees which could have had a material effect on the financial statements.

The information provided and presented in the financial statements regarding the identification of funds and their expenditure related to the Kosovo Consolidated Budget is complete and accurate.

The information regarding collection of revenues is accurate.

There are no bank accounts related to the KCB other than the bank accounts specified in the financial statements and this specification is complete and accurate as of 31 December 2010.

There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

There are no (legal) claims pending that could have a material effect on the financial statements.

All liabilities, both actual and contingent, and all guarantees given to third parties have been recorded and/or disclosed, as appropriate.

All loans to external parties have been recorded and/or disclosed, as appropriate.

There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or Notes thereto.

Municipalities must send their reports to the Budget and Finance Committee in the Municipal Assemblies.

In our opinion, the attached consolidated financial statements give a true and fair presentation of the finances and financial transactions for the year ended on 31 December 2010 of Manicipality Mamusha.

Date:

Signature and stamp: \_\_\_\_\_

Chief Administrative Officer

Arif Bütüç

Signature and stamp: \_\_\_\_\_

Chief Financial Officer

Yahya Mazrek

# Accounting policies

## **1 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### **1.1 Basis of preparation**

These financial statements have been prepared for the purposes of reporting to the Assembly of Kosovo for the Municipality of Mamusha activities, in accordance with the Budget.

The financial statements have been prepared in accordance with International Public Sector Accounting Standards Financial Under the Cash Basis of Accounting and also in accordance with Law 03/L-048 on preparation of Financial Statements for Budgetary Organizations also administrative instruction no.20/2009 on annual reporting of Budgetary Organizations.

The accounting policies have been applied consistently throughout the period.

### **1.2 Reporting entity**

The financial statements are for a public sector entity: Municipality of Mamusha ('the Municipality').

The Municipality does not operate its own bank account. The Government operates a centralized treasury function which administers cash expenditures incurred by the Municipality during the financial year. This function is referred to as the "Treasury Single Account" or "TSA". Payments made on this account in respect of the Municipality are disclosed in the Treasury Account column in the Statement of Cash Receipts and Payments and other financial statements.

## **2 Payments by Third Parties**

The Municipality benefits from goods and services purchased on its behalf as a result of cash payments made by third parties during the reporting period. The payments made by the third parties do not constitute cash receipts or payments of the Municipality but do benefit the Municipality. The Municipality presents separately by source the payments in the Statement of Cash Receipts and Payments and other financial statements.

## **3 Reporting currency**

The Municipality of Mamusha books and records are expressed in Euro, the legal currency of Republic of Kosovo.

Accounting policies (continued)

#### **4 Receipts and payments**

Receipts (Revenues) are recognized once they come under the control of the Government. This means cash which is transferred to the Treasury Account with Central Bank of Kosovo ('CBK'), cash held in commercial bank accounts awaiting transfer to the CBK Treasury account and cash collected by officers of the Municipality awaiting transfer to the CBK Treasury Account. Payments (Expenditures) are recognized once they are paid from the Kosovo Consolidated Fund ('KCF') bank account.

#### **5 Transfers**

Amounts are transferred to eligible recipients in accordance with the operating mandate and authority of the Municipality.

#### **6 Budgets**

The information presented under the original, reviewed and final budgets is publicly available and the primary source of information is as follows:

- The Original Budget is approved by the Law 03/L-177
- The Reviewed Budget is approved by Law No. 03/L-218
- The Final Budget is included in the Kosovo Financial Management Information System and is also published as part of the consolidated financial statements of the Government of Kosovo.

## Financial statements

31 December 2010

(All amounts expressed in '000 Euro, unless otherwise stated)

**Section 9. Statement of Cash Receipts and Payments**

A	2010			2009			2008			
	Single Treasury Account		Payments from third parties	Single Treasury Account		Payments from third parties	Single Treasury Account		Payments from third parties	
	KCB	OSR		KCB	OSR		KCB	OSR		
Note	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In Euro	In Euro	In '000 Euro	
<b>Receipts</b>										
General Fund Appropriations	2	753	17	-	670	52	-	416	36	-
Special Purpose Fund Appropriations		-	-	-	-	-	-	-	-	-
Designated Donor Grants	3	-	-	-	-	-	-	-	-	-
Other Receipts	4	-	-	171	-	-	405	-	-	1,842
<b>Total receipts</b>		<b>753</b>	<b>17</b>	<b>171</b>	<b>670</b>	<b>52</b>	<b>405</b>	<b>416</b>	<b>36</b>	<b>1,842</b>
<b>Payments</b>										
<i>Operations</i>										
Wages and Salaries	5	508	-	-	411	-	-	269	-	-
Goods and Services	6	94	17	-	103	-	-	103	-	-
Utilities	7	21	-	-	23	-	-	13	-	-
		<b>623</b>	<b>17</b>	<b>-</b>	<b>537</b>	<b>-</b>	<b>-</b>	<b>385</b>	<b>-</b>	<b>-</b>
<i>Transfers</i>										
Transfers and Subsidies	8	1	-	-	-	-	-	-	-	-
<i>Capital Expenditures</i>										
Property Plant and Equipment	9	129	-	-	133	52	-	31	36	1,842
Other Payments	10									
		130	-	-	133	52	-	31	36	1,842
<b>Total payments</b>		<b>753</b>	<b>17</b>	<b>171</b>	<b>670</b>	<b>52</b>	<b>-</b>	<b>416</b>	<b>36</b>	<b>1,842</b>

## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Section 10. Budget Execution Report**

	Note	2010				2009	2008
		Original Budget (Appropriation)	Final Budget (Appropriation)	Payments	Variance	Payments	Payments
		A	B	C	D=C-B	E	F
		In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In'000 Euro	In '000 Euro
<b>Cash inflows into Treasury account</b>							
Taxation	11	753	779	753	(26)	-	-
General Fund		-	-	-	-	670	416
Own source revenue	12	78	78	17	(61)	16	15
Own source revenue 2009	12	-	17	-	(17)	36	21
Grants	13	-	-	-	-	-	-
Capital receipts	14	-	-	-	-	-	-
Privatization Fund	15	-	-	-	-	-	-
Other	16	-	-	-	-	-	-
<b>Total receipts from KKB</b>		<b>831</b>	<b>874</b>	<b>770</b>	<b>(104)</b>	<b>722</b>	<b>452</b>
<b>Cash outflows from Treasury account</b>							
Wages and Salaries	17	499	525	507	(18)	410	269
Goods and Services	18	66	113	112	(1)	103	103
Utilities	19	21	21	21	-	24	13
Transfers and Subsidies	20	2	2	1	(1)	-	-
Capital Expenditures	21	243	213	129	(84)	185	67
Privatization Fund	22	-	-	-	-	-	-
Other	23	-	-	-	-	-	-
<b>Total Payments made from KCB through STA</b>		<b>831</b>	<b>874</b>	<b>770</b>	<b>(104)</b>	<b>722</b>	<b>452</b>

## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Section 11. Disclosure of notes****Note 2 General Fund Appropriations**

Economic classification	2010			2009	2008
	KCB	OSR	Total		
	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro
Wages and Salaries	508	-	508	410	269
Goods and Services	94	17	111	114	103
Utilities	21	-	21	23	13
Subsidies and Transfers	1	-	1	-	-
Capital Outlays	129	-	129	174	67
<b>Total</b>	<b>753</b>	<b>17</b>	<b>770</b>	<b>721</b>	<b>452</b>

**Note 3 Designated Donor Grants**

Economic classification	2010	2009	2008
	In '000 Euro	In '000 Euro	In '000 Euro
Wages and Salaries	-	-	-
Goods and Services	-	-	-
Utilities	-	-	-
Subsidies and Transfers	-	-	-
Capital Outlays	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 4 Other receipts**

	2010	2009	2008
	In '000 Euro	In '000 Euro	In '000 Euro
Min.Adm.Loc.Govr.- Continue Park	-	165	650
Ministry of Transport- Road Line	-	185	276
USAID- Regulation of Pathway	-	32	270
Municipality of Bursa , Turkey- Contender for waste and device for fillies	-	20	25
OSCE- Archives and Documents	-	3	87
Other	-	-	534
Mostar Bridge (MAPL)	96	-	-
Sport's field and return	75	-	-
<b>Total</b>	<b>171</b>	<b>405</b>	<b>1,842</b>



## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Note 5 Wages and salaries**

Description	2010			2009	2008
	KCB	OSR	Total		
	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro
<b>Payments from KCF</b>					
Net salaries	443	-	443	326	217
Personal Income Tax	17	-	12	13	11
Employer pension contribution	24	-	24	20	13
Employee pension contribution	24	-	24	20	13
Payments for Unions-0.10% to 0.50%	-	-	-	-	-
Overtime payments	-	-	-	-	-
Daily payments for Parliament and committee members	-	-	-	-	-
Diems	-	-	-	-	-
Shift payments	-	-	-	-	-
Contracted diems	-	-	-	-	-
Participations in Parliament	-	-	-	32	15
	<b>508</b>		<b>508</b>	<b>411</b>	<b>269</b>
<b>Payment from Grants</b>					
Full time salaries	-	-	-	-	-
Overtime wages	-	-	-	-	-
Contracted payments	-	-	-	-	-
				-	-
<b>Total</b>	<b>508</b>		<b>508</b>	<b>411</b>	<b>269</b>

## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Note 6 Goods and services**

Description	2010			2009	2008
	KCB	OSR	Total		
	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro
<b>Payments from KCF</b>					
Travel expenses	4	-	4	11	17
Telecommunication services	3	-	3	2	5
Contractual services	9	-	9	-	-
Compensations for attending trials	-	2	2	20	23
Furniture and equipment	10	2	12	21	-
Other expenditures	1	1	2	39	-
Fuel	52	9	61	-	30
Advances	2	-	2	-	-
Financial services	-	-	-	-	-
Maintenance and repair	-	1	1	9	11
Rent	-	-	-	-	-
Marketing expenditures	4	1	5	1	3
Representation expenditures	9	1	10	11	14
Supplies for office, medical and clothes	-	-	-	-	-
	<b>94</b>	<b>17</b>	<b>111</b>	<b>114</b>	<b>103</b>
<b>Payment from Grants</b>					
Travel expenses	-	-	-	-	-
Telecommunication services	-	-	-	-	-
Contractual services	-	-	-	-	-
Compensations for attending trials	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Other expenditures	-	-	-	-	-
Fuel	-	-	-	-	-
Advances	-	-	-	-	-
Financial services	-	-	-	-	-
Maintenance and repair	-	-	-	-	-
Rent	-	-	-	-	-
Marketing expenditures	-	-	-	-	-
Representation expenditures	-	-	-	-	-
Supplies for office, medical and clothes	-	-	-	-	-
<b>Total</b>	<b>94</b>	<b>17</b>	<b>111</b>	<b>114</b>	<b>103</b>

## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Note 7 Utilities**

Description	2010			2009 In '000 Euro	2008 In '000 Euro
	KCB In '000 Euro	OSR In '000 Euro	Total In '000 Euro		
Utilities paid from the KCF	21	-	21	23	13
Utilities paid from Grants		-			
<b>Total</b>	<b>21</b>	<b>-</b>	<b>21</b>	<b>23</b>	<b>13</b>

**Note 8 Transfers and Subsidies**

Description	2010			2009 In '000 Euro	2008 In '000 Euro
	KCB In '000 Euro	OSR In '000 Euro	Total In '000 Euro		
<b>Payments from KCF</b>					
Subsidies	-	-	-	-	-
Subsidies for public entities	1		1	-	-
Subsidies for non-public entities	-	-		-	-
Payments for individual beneficiaries	-	-	-	-	-
Base pensions	-	-	-	-	-
Disabled pensions	-	-	-	-	-
Pensions or social assistance	-	-	-	-	-
Payments for war invalids	-	-	-	-	-
Payments for war victims families	-	-	-	-	-
Trepca provisional pensions	-	-	-	-	-
	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>Payment from Grants</b>					
Subsidies	-	-	-	-	-
Subsidies for public entities	-	-	-	-	-
Subsidies for non-public entities	-	-	-	-	-
Payments for individual beneficiaries	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>

## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Note 9 Property, buildings and equipment**

Description	2010			2009	2008
	KCB	OSR	Total		
	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro
<b>Payments from KCF</b>					
Buildings	-	-	-	10	35
Other structure	-	-	-	-	-
Road construction	50	-	50	119	25
Waste and water system	-	-	-	-	7
Water supply system	4	-	4	19	-
Energy, generation, transfer, and supply	4	-	4	-	-
Machinery	12	-	12	-	-
Other capitals	59	-	59	-	-
	<b>129</b>	<b>-</b>	<b>129</b>	<b>148</b>	<b>67</b>
<b>Payment from Grants</b>					
Buildings	-	-	-	-	-
Road construction	-	-	-	-	-
Waste and water system	-	-	-	-	-
Water supply system	-	-	-	-	-
<b>Total</b>	<b>129</b>	<b>-</b>	<b>129</b>	<b>148</b>	<b>67</b>

**Note 10 other payments**

There were no other payments during 2010.

## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Note 11 Taxation**

Description	Note	2010	2009	2008	% of total 2010	% of difference from 2009
		Original Budget				
		In '000 Euro	In '000 Euro	In '000 Euro		
Customs		-	-	-	-	-
Tax Administration		-	-	-	-	-
Other tax		-	-	-	-	-
<b>Total</b>		-	-	-	-	-

**Note 12 Own source revenue**

Description	Note	2010	2009	2008	% of total 2009	% of difference from 2008
		In '000 Euro	In '000 Euro	In '000 Euro		
Administrative Tax revenues	12.1	8	8	15	%	%
Revenue from fines and penalties		16	11	8	%	%
Revenue from licences		2	7	3	%	%
Revenue from professional service fees		6	3	20	%	%
Revenue from licenses for use of forest		-	-	-	%	%
Revenue from travel documents		-	-	-	%	%
Revenue from contributions		-	-	-	%	%
Revenue from sale of services		-	-	-	%	%
Revenue from participations		5	3	2	%	%
Revenue from Inspections			-	-	%	%
Revenue from civil aviation		2	-	-	%	%
Other receipts		1	-	-	%	%
Revenue from public services		1	-	-	%	%
<b>Total</b>		<b>41</b>	<b>32</b>	<b>48</b>		
Revenue from previous year		17	36	23	%	%
<b>Total</b>		<b>58</b>	<b>68</b>	<b>71</b>	<b>0%</b>	<b>%</b>

## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**12.1 Own source revenues – Administrative tax**

Description	2010	2009	2008
	In '000 Euro	In '000 Euro	In '000 Euro
Vehicle Registration Fee	-	-	4
Driving Licenses Fees	-	-	-
Travel Document Fee	-	-	-
Tender Participation Fee	1	1	1
Road Fee	5	5	-
Marriage Certificate	-	-	-
Other Certificate	5	5	3
Document Authentication	-	-	-
Court Fee	5	-	-
Court Fee Return	-	-	-
<b>Total</b>	<b>16</b>	<b>11</b>	<b>8</b>

## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Note 13 Grants and Assistance**

Description	2010	2009	2008
	In '000 Euro	In '000 Euro	In '000 Euro
	-	-	-
	-	-	-
<b>Total</b>	-	-	-

**Note 14 Capital receipts**

Asset Type	Profit from Sale		
	2010	2009	2008
	In '000 Euro	In '000 Euro	In '000 Euro
Land	-	-	-
Building	-	-	-
Infrastructure	-	-	-
Manufacturing	-	-	-
Site and Equipment	-	-	-
<b>Total</b>	-	-	-

**Note 15 Privatization fund**

POE	Profit from Privatization		
	2010	2009	2008
	In '000 Euro	In '000 Euro	In '000 Euro
POE #1	-	-	-
POE #2	-	-	-
POE #3	-	-	-
POE #4	-	-	-
POE #5	-	-	-
<b>Total</b>	-	-	-

**Note 16 Other**

Receipt type	2010	2009	2008
	In '000 Euro	In '000 Euro	In '000 Euro
Lottery games deposit	-	-	-
Regulatory committee deposit	-	-	-
Deposits of Justice Ministry	-	-	-
Other deposits	-	-	-
<b>Total</b>	-	-	-

Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Note 17 to Note 23**

**17. Difference between final budget and payment of wages and salaries**

The difference is due to employment of workers in 2010 who have been budgeted since the beginning of the year but are not employed by the end of the year.

**21. The difference between the final budget for capital expenditures and payments**

Difference between final budget and payments for capital expenditures is due to unfinished works for a project. Therefore, the Municipality has submitted application no. DBF/11-002 for transfer of funds in the next year.



## Financial statements

31 December 2010

(All amounts expressed in '000 Euros, unless otherwise stated)

**Section 12. Note 24 Reporting obligations under the LPFMA****Section 13. Note 25 Statement of Outstanding Invoices (Liabilities)**

Invoice Date	Invoice Number	Economic Code	Payment Term	Vendor	Description	Reason for Nonpayment	Amount
11.11.2010	79	13660		Albes Complex	akomodim	Deficit in cash	163
02.09.2010	11236/10	14220		Kosova sot	botimet e publikimeve	Deficit in cash	47
22.10.2010		14220		Zeri	botimet e publikimeve	Deficit in cash	208
10.08.2010	730/10	14220		epoka e re	botimet e publikimeve	Deficit in cash	58
20.04.2010	9980/10	14220		Kosova sot	botimet e publikimeve	Deficit in cash	46
20.04.2010	379/10	14220		epoka e re	botimet e publikimeve	Deficit in cash	58
31.05.2010	415/10	14220		epoka e re	botimet e publikimeve	Deficit in cash	58
04.03.2010	9536/10	14220		Kosova sot	botimet e publikimeve	Deficit in cash	58
17.07.2010	639/10	14220		epoka e re	botimet e publikimeve	Deficit in cash	150
12.03.2010	9608/10	14220		Kosova sot	botimet e publikimeve	Deficit in cash	348
03.12.2010	014/10/10	13770		flamuri ntp	derivate per gjenerator	Expecting berzez	226
13.01.2011	030/01/11	13780		flamuri ntp	karburant per vetura	Expecting berzez	682
20.10.2010	030/10/10	13780		flamuri ntp	karburant per vetura	Expecting berzez	939
03.12.2010	013/12/10	13780		flamuri ntp	karburant per vetura	Expecting berzez	815
04.06.2010	2431	14010		allmakes global service	mirembajtja e automjeteve	Expecting berzez	877
13.01.2011	033/01/11	13720		flamuri ntp	naft per ngrohje qendrore	Expecting berzez	2,429
06.01.2011	6687555	13210		Kek	rryme	Invoice with delay	80
06.01.2012	6688322	13210		Kek	rryme	Invoice with delay	65
06.01.2013	6687979	13210		Kek	rryme	Invoice with delay	80
06.01.2014	6687980	13210		Kek	rryme	Invoice with delay	80
06.01.2015	6688126	13210		Kek	rryme	Invoice with delay	46
06.01.2016	6687388	13210		Kek	rryme	Invoice with delay	80
06.01.2017	6687093	13210		Kek	rryme	Invoice with delay	80
06.01.2018	6687108	13210		Kek	rryme	Invoice with delay	473
04.11.2010	6561921	13210		Kek	rryme	Invoice with delay	80
04.11.2010	6562064	13210		Kek	rryme	Invoice with delay	80
04.11.2010	6562785	13210		Kek	rryme	Invoice with delay	80
04.11.2010	6562275	13210		Kek	rryme	Invoice with delay	80
04.11.2010	6562786	13210		Kek	rryme	Invoice with delay	80
04.11.2010	6563160	13210		Kek	rryme	Invoice with delay	68
04.11.2010	6562836	13210		Kek	rryme	Invoice with delay	46
04.12.2010	6608412	13210		Kek	rryme	Invoice with delay	72
04.12.2010	6608302	13210		Kek	rryme	Invoice with delay	46
04.12.2010	6607959	13210		Kek	rryme	Invoice with delay	80
04.12.2010	6607581	13210		Kek	rryme	Invoice with delay	80
04.12.2010	6608253	13210		Kek	rryme	Invoice with delay	80

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04.12.2010	6608254	13210	Kek	rryme	Invoice with delay	80
04.12.2010	6607808	13210	Kek	rryme	Invoice with delay	80
08.12.2010	24161668 2010	13250	TK	te. Fikse	Invoice with delay	31
08.12.2010	24161644 2010	13250	TK	te. Fikse	Invoice with delay	21
08.12.2010	24154180 2010	13250	TK	te. Fikse	Invoice with delay	57
08.12.2010	24161997 2010	13250	TK	te. Fikse	Invoice with delay	56
08.12.2010	24161669 2010	13250	TK	te. Fikse	Invoice with delay	16
08.12.2010	24161834 2010	13250	TK	te. Fikse	Invoice with delay	17
08.12.2010	24161658 2010	13250	TK	te. Fikse	Invoice with delay	55
08.12.2010	24142463 2010	13250	TK	te. Fikse	Invoice with delay	90
08.12.2010	24172701 2010	13250	TK	te. Fikse	Invoice with delay	14
08.12.2010	24172244 2010	13250	TK	te. Fikse	Invoice with delay	17
08.12.2010	24171584 2010	13250	TK	te. Fikse	Invoice with delay	36
06.01.2011	24299171 2011	13250	TK	te. Fikse	Invoice with delay	150
06.01.2011	24307456 2010	13250	TK	te. Fikse	Invoice with delay	52
06.01.2011	24305049 2011	13250	TK	te. Fikse	Invoice with delay	29
06.01.2011	24305082 2011	13250	TK	te. Fikse	Invoice with delay	52
06.01.2011	24305843 2011	13250	TK	te. Fikse	Invoice with delay	83
06.01.2011	24308732 2011	13250	TK	te. Fikse	Invoice with delay	14
06.01.2011	24308368 2011	13250	TK	te. Fikse	Invoice with delay	27
06.01.2011	24306711 2011	13250	TK	te. Fikse	Invoice with delay	58
06.01.2011	24253208 2011	13250	TK	te. Fikse	Invoice with delay	17
06.01.2011	24252874 2011	13250	TK	te. Fikse	Invoice with delay	23
06.01.2011	24249740 2011	13250	TK	te. Fikse	Invoice with delay	18
12/31/2010	297	31660	Konti	Matrial Laboratorik	Deficit in cash	271
11/30/2010	265	31660	Konti	Matrial Laboratorik	Deficit in cash	164
11/1/2010	247	31660	Konti	Matrial Laboratorik	Deficit in cash	665
12/20/2010	163	13230	Is-Company	Mbeturinat muaji 12	Deficit in cash	28
12/20/2010	165	13230	Is-Company	Mbeturinat muaji 12	Deficit in cash	28
11/8/2010	441/10	13506	Lindi	Oksigjen për QMF	Deficit in cash	20
1/13/2011	034/01/11	13720	Flamuri	Nafte per ngrohje qendrore	Expecting berzez	2,371
12/3/2010	017/12/10	13780	Flamuri	Karburant per Vetura	Expecting berzez	53
12/3/2010	016/12/10	13770	Flamuri	Nafte per gjenerator	Expecting berzez	90
1/13/2011	031/01/11	13770	Flamuri	Nafte per gjenerator	Expecting berzez	156
1/13/2011	032/01/11	13720	Flamuri	Nafte per ngrohje qendrore	Expecting berzez	2,367
6/3/2010	6238881	13210	KEK	Shpenzimet e rrymes- Muaji 5	Invoice with delay	98
11/4/2010	6562838	13210	KEK	Shpenzimet e rrymes- Muaji 10	Invoice with delay	3
11/4/2010	6561933	13210	KEK	Shpenzimet e rrymes- Muaji 10	Invoice with delay	961
12/4/2010	6607593	13210	KEK	Shpenzimet e rrymes- Muaji 11	Invoice with delay	112
12/4/2010	6608304	13210	KEK	Shpenzimet e rrymes- Muaji 11	Invoice with delay	3
1/6/2011	6687105	13210	KEK	Shpenzimet e rrymes- Muaji 12	Invoice with delay	3
1/6/2011	6688128	13210	KEK	Shpenzimet e rrymes- Muaji 12	Invoice with delay	287

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(All amounts expressed in '000 Euros, unless otherwise stated)

1/6/2011	6687561	13210	KEK	Shpenzimet e rrymes- Muaji 12	Invoice with delay	3
1/6/2011	6687700	13210	KEK	Shpenzimet e rrymes- Muaji 12	Invoice with delay	3
1/6/2011	6687378	13210	KEK	Shpenzimet e rrymes- Muaji 12	Invoice with delay	3
1/6/2011	24274044	13250	PTK	Shpenzimet e tel fikse-Muaji 12	Invoice with delay	24
1/6/2011	24315298	13250	PTK	Shpenzimet e tel fikse-Muaji 12	Invoice with delay	32
1/6/2011	24314154	13250	PTK	Shpenzimet e tel fikse-Muaji 12	Invoice with delay	28
11/25/2010		13140	Yahya Mazrek	Udhtim zyrtar	Deficit in cash	293
1/26/2011		13140	Rujdi Kruezi	Udhtim zyrtar	Deficit in cash	125
		13320	Vala-900	Shpenizme tel Mobile	Invoice with delay	249
						<b>18,551</b>

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(All amounts expressed in '000 Euros, unless otherwise stated)

**Section 14. Note 26: Statement of Unjustified Advances and Loans**

				<b>2010</b>
<b>Issuance Date</b>	<b>No of CPO</b>	<b>Purpose</b>	<b>In '000 Euro</b>	
	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

There are no unjustified advances – are closed as per legal requirements.

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(All amounts expressed in '000 Euros, unless otherwise stated)

**Section 15. Note 27 :Summary of Non-Financial Assets Possessed by Budget Organizations**

<b>Asset Classification</b>	<b>2010</b>	<b>2009</b>	<b>In '000 EUR 2008</b>
Buildings	665	698	736
Land	200	154	192
Equipment	1,017	1,017	1,017
<b>Total:</b>	<b>1,882</b>	<b>1,869</b>	<b>1,945</b>

**Note 28 Summary of Carried Forward Own Source Revenues**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>In '000 Euro</b>	<b>In '000 Euro</b>	<b>In '000 Euro</b>
Own Source Revenues carried forward from the previous year	17	36	23
Own Source Revenues received this year in accordance with Note 12	41	32	49
<b>Available total for appropriation in the current year</b>	<b>58</b>	<b>68</b>	<b>72</b>
Wages and Salaries			
Goods and Services	17	11	
Utilities			
Transfers and subsidies			
Capital Outlays		41	35
Other			
<b>Carried amount</b>	<b>41</b>	<b>16</b>	<b>37</b>

**Section 16. Note 29: Contingent Liabilities**

<b>Contingency Liability Type</b>	<b>Reason for Liabilities</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
		<b>In '000 Euro</b>	<b>In '000 Euro</b>	<b>In '000 Euro</b>
<b>Total</b>		-	-	-

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**Section 17. Note 30: Reconciliation between Original and Final Budget Appropriations**

Appropriation Category	Authorized reconciliations by Law on Public Financial Management and Accountability ('LPFMA')						Adjustment from Original Budget
	Original Budget Appropriation Law on Appropriations	Changes pursuant to Sec.29 Law 03/L-048	Changes pursuant to Sec.30 Law 03/L-048	Changes pursuant to Sec.31 Law 03/L-048	ORS Changes	Final Budget Appropriation KFMIS	
	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	In '000 Euro	
<b>Inflows</b>							
General Grant	753	26	-	-	-	779	0.0%
Own source Revenues 2010	78	-	-	-	-	78	0.0%
Own source Revenues 2009	-	-	-	-	17	17	0.0%
Grants	-	-	-	-	-	-	0.0%
Capital Receipts	-	-	-	-	-	-	0.0%
Privatization fund	-	-	-	-	-	-	0.0%
Others	-	-	-	-	-	-	0.0%
	<b>831</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>874</b>	<b>5.2%</b>
<b>Outflows</b>							
Wages and Salaries	499	26	-	-	-	525	0.0%
Goods and Services	66	30	-	-	17	113	0.0%
Utilities	21	-	-	-	-	21	0.0%
Transfers and Subsidies	2	-	-	-	-	2	0.0%
Capital Expenditures	243	(30)	-	-	-	213	0.0%
Privatization Fund	-	-	-	-	-	-	0.0%
Other	-	-	-	-	-	-	0.0%
<b>Total</b>	<b>831</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>874</b>	<b>5.2%</b>

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### Budget Execution Report

		Original Budget	Final Budget	Payments	Progress	Progress
Description	Note	Law No 03/L-105	KFMIS		in %	In %
a		b	c	d	e=d/b	f=d/c
<b>Total Payments</b>	<b>1+2+3+4</b>	<b>831</b>	<b>874</b>	<b>770</b>	<b>0,93</b>	<b>0,88</b>
<b>Payments from the General Grant</b>	<b>1</b>	<b>753</b>	<b>779</b>	<b>753</b>	<b>1,00</b>	<b>0,97</b>
Wages and Salaries		499	525	507	1,02	0,97
Goods and Services		66	96	95	1,44	0,99
Utilities		21	21	21	1,00	1,00
Subsidies and Transfers		2	2	1	0,50	0,50
Capital Investments		165	135	129	0,78	0,96
<b>Payments from Own Source Revenues of 2009</b>	<b>2</b>	<b>78</b>	<b>78</b>	<b>7</b>	<b>0,00</b>	<b>0</b>
Wages and Salaries		-	-	-	-	-
Goods and Services		-	-	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	-	-	-	-
<b>Payments from Revenues carried forward from 2008</b>	<b>3</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>0,00</b>	<b>1</b>
Wages and Salaries		-	-	-	-	-
Goods and Services		-	17	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	-	-	-	-
<b>Payments from the pre-assigned Grant</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Wages and Salaries		-	-	-	-	-
Goods and Services		-	-	-	-	-
Utilities		-	-	-	-	-
Subsidies and Transfers		-	-	-	-	-
Capital Investments		-	-	-	-	-





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(All amounts expressed in '000 Euro, unless otherwise stated)

**Report of Receipts under Programs**

Description	Economic Code	Administration	Budget and Finances	Health	Cadastre and Geodesy	Total Receipts
a		b	c	d	e	f=b+c+d+e+ ....
<b>Total Receipts</b>		<b>14</b>	<b>21</b>	<b>5</b>	<b>1</b>	<b>41</b>
Other certificates	50016	5				5
Tenders	50020	1				1
Tax on property	40110		8			8
Business registration	50006		6			6
Vehicle registration	50002		5			5
Penalties	50102	5				5
Participation Health-Education	50409			5		5
Construction Licenses	50009		2			2
Other receipts	55300	1			1	2
Traffic fines	50101	2				2

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(All amounts expressed in '000 Euro, unless otherwise stated)

Payments from the General Fund ('KCF')	Economic classification					
	Wages and salaries	Goods and services	Utilities	Subsidie s and Transfer s	Capital Outlays	Total
Social protection						
General public services	216	71	16	1	125	<b>429</b>
Defense	-	-	-	-	-	-
Public order and safety	-	-	-	-	-	-
Economic affairs	37	5	-	-	146	<b>188</b>
Environmental Protection	-	-	-	-	-	-
Housing and Community Amenities	-	-	-	-	-	-
Health	68	19	3	-	4	<b>94</b>
Recreation, Culture and Religion	-	-	-	-	-	-
Education	223	22	2	-	-	<b>247</b>
<b>TOTAL</b>	<b>507</b>	<b>112</b>	<b>21</b>	<b>1</b>	<b>129</b>	<b>770</b>

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Payments from Designated Grants	Economic classification					
	Wages and salaries	Goods and services	Utilities	Subsidies and Transfers	Capital Outlays	Total
<b>Functional classification</b>	-	-	-	-	-	-
Social protection	-	-	-	-	-	-
General public services	-	-	-	-	-	-
Defense	-	-	-	-	-	-
Public order and safety	-	-	-	-	-	-
Economic affairs	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-
Housing and Community Amenities	-	-	-	-	-	-
Health	-	-	-	-	-	-
Recreation, Culture and Religion	-	-	-	-	-	-
Education	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

**Article 12. Staff Number**

Department	No of staff in the Budget Law 03/L-177	Actual number of staff at beginning of 2010		Actual number of staff at end of 2010	
		Full Time	Part Time	Full Time	Part Time
Office of Mayor	7	7		7	
Administration	11	11		10	
Budget and Finances	6	5		6	
Public Services	12	12		12	
Cadastre and geodesy	5	5		5	
Lth	18	16		17	
Education	68	63		65	
<b>Totals:</b>	<b>127</b>	<b>119</b>	-	<b>122</b>	



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