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AUDIT REPORT

**ON THE FINANCIAL STATEMENTS OF THE MUNICIPALITY OF
KAÇANIK AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2010**

Pristina, June 2011

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY.....	3
II. INTRODUCTION.....	5
III. AUDIT OPINION	7
IV. STATUS OF PRIOR YEARS RECOMMENDATIONS	10
V. FINANCIAL OUTCOME COMPARED TO APPROVED BUDGET.....	11
VI. FINANCIAL STATEMENTS	12
VI.1 COMPLIANCE REGARDING THE EXTERNAL REPORTING	12
VI.2 INFORMATION QUALITY.....	12
VI.3 REVENUES (INCLUDING OWN SOURCE REVENUES)	13
VI.4 EXPENDITURES.....	14
VI.5 SUBSIDIES AND TRANSFERS	16
VI.6 ASSETS AND DEBTS.....	16
VII. MANAGEMENT CONTROL	18
VII.1 INTERNAL CONTROL SYSTEMS	18
VII.2 AUDIT COMMITTEE	18
VIII. OVERALL CONCLUSION ON THE MANAGEMENT OF MUNICIPALITY OF KAÇANIK	19
ANNEX 1 MUNICIPALITY OF KACANIK MANAGEMENT COMMENTS AND KPMG RESPONSES	20
ANNEX 2 DIFFERENT TYPES OF AUDIT OPINIONS APPLIED BY KPMG IN THE ANNUAL AUDIT REPORT 2010	25

I. Executive Summary

KPMG has carried out an audit of the Annual Financial Statements of the Municipality of Kaçanik (“Municipality”) for the year ended 31 December 2010.

Our audit was carried out in accordance with international auditing standards issued by International Organisation of Supreme Audit Instructions (INTOSAI) and included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements.

Below please find an extract taken from our audit opinion in page 9 of this document:

“In our opinion, except for the omission of the information described in paragraphs 1 and 2 of the basis of qualified opinion paragraphs, the financial statements present fairly in all material aspects the receipts and payments for the year ended 31 December 2010 in accordance with the Cash Basis International Public Sector Accounting Standards (‘IPSAS’) for Financial Reporting Under the Cash Basis of Accounting and with Administrative Instruction No. 16/2010 On Annual Reporting of Budget Organizations.”

The main messages to the Mayor, which led to qualification of our audit opinion, are:

- 1 The Municipality has not disclosed complete amounts in respect of property, plant and equipment in Note 27 to the financial statements. There are a number of deficiencies and uncertainties which affect the Municipality’s financial reporting of property, plant and equipment in the following ways:
 - The Municipality has not disclosed the property, plant and equipment of the Education Program.
 - The Municipality has not maintained a comprehensive register of its property, plant and equipment.
 - The Municipality has no detailed and comprehensive list of real estate property including ownership documentation of such property and information on the registration status in the Municipality’s name in the local Real Estate Register or Court.
 - Due to a lack of supporting documentation for the measurement of a significant part of its property, plant and equipment, the Municipality sought to measure 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 reported in the financial statements are not supported by any valuation report.

Due to the nature of the records and other deficiencies as described above, we were not able to determine which adjustments might be necessary to the financial information provided in the Municipality’s financial statements.

- 2 The comparative information for the years ended 31 December 2009 and 2008 are not complete and accurate. In particular, the following was omitted or improperly disclosed in the financial statements:
 - Payments from third parties, in Section 9 Statement of Cash Receipts and Payments, were not disclosed for the years ended 31 December 2009 and 2008.

- The comparative information presented in notes 12 and 13 for the year 2008 is not complete and accurate.
- The comparative information, which should be presented in Note 12.1 for the year 2008 was not completed.

Since the financial statements for the years ended 31 December 2009 and 31 December 2008 received a disclaimer of opinion, the comparative figures described above may be materially misstated.

Internal Control

Our audit has identified weaknesses in several areas of financial management. These weaknesses are described in more detail within the report.

Our conclusion is that the Municipality's internal systems are not properly designed to eliminate evident weaknesses and are not implemented as they should be.

In order to improve the functioning of the financial management system and internal controls, we recommend you to ensure:

- The financial statements are prepared in compliance with the administrative instruction and IPSAS;
- A comprehensive list of its property, plant and equipment is maintained;
- An automated billing system for all type of taxes is maintained;
- Reconciliation of revenues between the own source revenue officer and operational departments are performed;
- Measures are taken to increase the collection of revenues from various taxes;
- The Law No. 2003/17 'Law on Public Procurement in Kosovo' (amended) is fully complied with; and
- An Audit Committee is established.

Management of the Municipality was given the possibility to comment on the findings presented in this report. Management has agreed to make all efforts to address our recommendations regarding Revenues and establishment of an Audit Committee. Management disagreed with our recommendations regarding Capital and non capital assets. While, they partially agreed with our recommendations in the areas of Financial Statements, Wages and Salaries and Internal Control Systems. We did not receive comments from management relating to our recommendations in the areas of Procurement and Other Purchases and Debts.

Refer to Appendix 1 for management's comments to our recommendations and our response to them.

II. Introduction

This audit relates to the annual financial statements of the Municipality of Kaçanik as at and for the year ended 31 December 2010.

It is the responsibility of the Municipality to prepare financial statements in accordance with Administrative Instruction 16/2010 and International Public Sector Accounting Standards (IPSAS) for “Financial Reporting under the Cash Basis of Accounting”.

KPMG, on behalf of The Office of the Auditor General, is responsible for carrying out an annual audit on the Municipality financial statements as at and for the year ended 31 December 2010.

An audit is an attestation of financial accounting, involving examination and evaluation of Financial Statements and other financial records and provides assurance on:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- The appropriateness of internal controls and internal audit functions; and
- Any other significant matters arising from or relating to the audit.

We carried out an interim audit of the Municipality. During that stage of the audit process we addressed the Municipality’s handling of recommendations given earlier and the quality of financial management. Based on this we have given advice to management. Our recommendations also included advice related to improvements for the financial statements to be in compliance with Administrative Instruction 16/2010 and International Public Sector Accounting Standards (IPSAS) for “Financial Reporting under the Cash Basis of Accounting”. Our recommendations were submitted through an audit memorandum dated 8 December 2010.

In order to fulfil our responsibilities for the audit of the Municipality, we have undertaken the following activities:

- Compared the Municipality’s Annual Financial Statements against the approved budget as at and for the year ended 31 December 2010;
- Determined whether the Municipality’s Annual Financial Statements were prepared in accordance with IPSAS “Financial Reporting under the Cash Basis of Accounting” and Administrative Instruction no. 16/2010;
- Established a materiality level, as a threshold for assisting in determining the type of opinion to render on the financial statements;
- Used a combination of judgment and random sampling to select transactions for testing;
- Undertook substantive testing of financial transactions; and
- Relied on a combination of interviews, analytical reviews, document checking, and physical verification to assess the validity and propriety of financial transactions.

In this report we summarise the audit findings and provide our opinion on the Annual Financial Statement as at and for the year ended 31 December 2010.

INTOSAI set out specific criteria that govern the type of opinion that should be rendered regarding our audit opinion for the Municipality's annual financial statements.

These are set out more fully in Appendix 2, which includes an extract from ISSAI 4000.

III. Audit Opinion

Independent Auditors' Report

To the Municipal Assembly

Kaçanik Municipality, Kosovo

Pristina, 3 June 2011

We were engaged to audit the accompanying financial statements of Municipality of Kačanik ("the Municipality"), which comprise the statement of cash receipts and payments for the year ended 31 December 2010, a comparison of budget and actual amounts, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cash Basis International Public Sector Accounting Standards ('IPSAS') *Financial Reporting Under the Cash Basis of Accounting* and with the Administrative Instruction No. 16/2010 *On Annual Reporting of Budget Organizations*. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with international standards issued by the International Organisation of Supreme Audit Instructions (INTOSAI). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about and whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1 Note 27 to the financial statements, discloses the property, plant and equipment owned by the Municipality. However, there are a number of deficiencies and uncertainties which affect the Municipality's financial reporting of property, plant and equipment in the following ways:

- The Municipality has not disclosed the property, plant and equipment of the Education Program.
- The Municipality has not maintained a comprehensive register of its property, plant and equipment.
- The Municipality has no detailed and comprehensive list of real estate property including ownership documentation of such property and information on the registration status in the Municipality's name in the local Real Estate Register or Court.
- Due to a lack of supporting documentation for the measurement of a significant part of its property, plant and equipment, the Municipality sought to measure 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 reported in the financial statements are not supported by any valuation report.

Due to the nature of the records and other deficiencies as described above, we were not able to determine which adjustments might be necessary to the financial information provided in the Municipality's financial statements.

2 The comparative information for the years ended 31 December 2009 and 2008 are not complete and accurate. In particular, the following was omitted or improperly disclosed in the financial statements:

- Payments from third parties, in Section 9 Statement of Cash Receipts and Payments, were not disclosed for the year ended 31 December 2009 and 2008.
- The comparative information presented in notes 12 and 13 for the year 2008 is not complete and accurate.
- The comparative information, which should be presented in Note 12.1 for the year 2008 was not completed.

Since the financial statements for the years ended 31 December 2009 and 2008 received a disclaimer of opinion, the comparative figures described above may be materially misstated.

Qualified Opinion

In our opinion, except for the omission of the information described in paragraphs 1 and 2 of the basis of qualified opinion paragraph, the financial statement present fairly in all material aspects the receipts and payments for the year ended 31 December 2010 in accordance with Cash Basis International Public Sector Accounting Standards ('IPSAS') *Financial Reporting Under the Cash Basis of Accounting* and with the Administrative Instruction No. 16/2010 *On Annual Reporting of Budget Organizations*.

Review of Compliance

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, 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 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 review, are in all material respects, in compliance with the authorities which govern them.

Other matters

We draw attention to the following:

- 1 The primary reliable source of information for the preparation of financial statements is Free Balance. However, since Free Balance is not being used to record payments from third parties and outstanding invoices, it cannot be used to produce comprehensive financial statements.
- 2 Since the Municipality has not implemented a comprehensive and automated billing system, there is uncertainty regarding completeness of both receivables and revenues that the Municipality can earn, and their 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.
- 3 We identified a number of non-compliances with Law No. 2003/17 'Law on Public Procurement in Kosovo' (amended). Such non-compliance related to required procedures which were not performed and documented by the Municipality.
- 4 Although the Municipality may be involved in several minor legal cases and 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.

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IV. Status of Prior Years Recommendations

Our management letter, as at and for the year ended 31 December 2009, identified five main recommendations. None of these recommendations have been fully addressed and have been included below:

- The financial statements should be prepared in compliance with the actual administrative instruction and IPSAS;
- A comprehensive list of property, plant and equipment should be maintained;
- We identified a number of non-compliances in the expenditure area, including non-compliances with Law No. 2003/17 'Law on Public Procurement in Kosovo' (amended), non-compliances in the areas of wages and salaries and other purchases. Such non-compliance related to required procedures which were not performed and documented by the Municipality.
- An automated billing system for all types of taxes should be put in place, reconciliations of revenues between the own source revenue officer and operational departments should be performed, and measures should be taken to increase the collection of revenues from various taxes; and
- An Audit Committee should be established.

Failure to fully address our given recommendations, has led us to have similar findings as in 2009.

V. Financial outcome compared to approved budget

The analysis of Actual Outcome in the Financial Statements compared to the Approved Budget indicates:

Table 1: Overview of budget and actual spending

Description	Initial Budget	Reviewed Budget	Final Budget	2010 Actual	2009 Actual
Government Grant - Budget	3,830,000	3,981,000	3,981,000	3,950,000	3,419,000
Own Source Revenues	549,000	549,000	634,000	432,000	576,000
Domestic Donations	-	-	-	-	-
External Donations	-	-	30,000	22,000	68,000
Total of revenues and transfer of Donations	4,379,000	4,530,000	4,645,000	4,404,000	4,063,000
Wages and Salaries	2,621,000	2,761,000	2,788,000	2,769,000	2,501,000
Goods and Services	371,000	366,000	458,000	454,000	370,000
Utilities	81,000	82,000	93,000	87,000	80,000
Subsidies and Transfers	41,000	41,000	61,000	61,000	79,000
Capital Investments	1,265,000	1,280,000	1,245,000	1,033,000	1,033,000
Reserves	-	-	-	-	-
II. Total of Expenditures	4,379,000	4,530,000	4,645,000	4,404,000	4,063,000
Difference I-II	-	-	-	-	-

The budgeted amounts are extracted from the following sections within the Financial Statements as at and for the year ended 31 December 2010: Section 10 *Budget Execution Report*; and Section 17 Note 31 *Reconciliation between Original and Final Budget Appropriations*.

VI. Financial Statements

VI.1 Compliance regarding the external reporting

Requirements in LPFMA No. 03/L-048 and Administrative Instruction 16/2010.

- The Municipality has prepared the financial statements according to AI 16/2010 except for completeness of disclosures of property, plant and equipment in note 27 to the Financial Statements;
- The Financial Statements have been signed by the Chief Administrative Officer and Chief Financial Officer of the audited body;
- The Financial Statements were signed within the required time frame on 29/01/2009 and Submitted to Ministry of Economy and Finance (MEF);
- The Financial Statements were submitted only in the Albanian and Serbian Language; and
- The Municipality has prepared and submitted regular quarterly reports to the Minister of Economy and Finance (“MEF”) during 2010.

Recommendation 1

We recommend the Mayor ensures that 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.

VI.2 Information Quality

Findings

Our audit findings and recommendations throughout this document indicate that improvements need to be made in the quality of information received and presented in the Financial Statements by the Municipality.

Recommendation 2

Please see our recommendations throughout this document for advice on how quality of information can be improved.

VI.3 Revenues (including own source revenues)

Findings

- *Billing systems.* An automated billing system exists only for tax on property. The Municipality does not maintain billing records for other types of revenue. Instead only cash collections from such revenue streams are recorded.
- *Collection of revenues.* Except for taxes on property, the Municipality management does not maintain separate sub ledgers or lists of all its debtors from various taxes. Without sufficient, detailed, and accurate records of debtors, the Municipality is unable to prepare a reliable and accurate budget, to report an accurate collection ratio, nor follow up the collection of the own source revenues on a timely basis.
- *Reconciliation of Revenues.* The Administrative Tax Office, Cadastral Office and Urban Planning Office did not perform regular reconciliations of revenues collected with the accounting department.
- *Weaknesses in the automated billing system.* The tax on property billing system is centralized and the Municipality cannot review and monitor the collection of revenue as it is automatically done by the system.

Recommendation 3

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 billing and revenue. Improvement of the procedures related to such systems would enable 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 considers to:

- 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 management.
- Enter and centrally control the approved tariffs and tax rates in the system in order to calculate and generate bills automatically. The generation of bills should also be authorized and reviewed.
- Automatically inter-connect the billing system with the accounting software so that 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.
- 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.

VI.4 Expenditures

4.1 Purchases through Procurement

Findings

During our inspection of the documents for our sample of procurement files we noted several non-compliances with procedures as required by Public Procurement Law PL 2003/17 (PPL). These non-compliances are described below:

- We noted that the "Declaration for determining the needs and funds available " was not completed as required by PPL for the following capital investment procurements: KA652/10/012/521; KA652/10/015/521; KA652/10/019/521; KA652/10/018/521; KA652/10/031/521; KA652/09/001/136; KA652/09/040/121; KA652/10/047/121; KA652/10/065/136; KA652/10/052/521 and KA652/10/051/236.
- We noted that the "guarantee for the execution of the contract" for procurement No. KA652/09/040/121 was not in the file even though it was required in the tender dossier.
- The "Declaration under oath" of the commission for evaluating tenders for procurement No. KA652/10/031/521 was signed on 09 July 2010 while the tender evaluation was done prior to signing this declaration on 07 July 2010.
- For procurement procedures with No. KA652/10/012/521 and KA652/10/019/521, despite significant delays, the Municipality did not exercise their right to charge late fees/penalties for the delay although in the agreement it was specified that the Municipality had the right to charge penalties of 0.1% per day for a maximum of 10% of the total value of the contract. There was no documentation to support the decision not to penalize the provider.
- We were not provided with the standard form for evaluation of offers for procurement No. KA652/09/040/121, instead we were provided only with the minutes of the meeting signed by the evaluation commission.
- For procurement No. KA652/10/015/521, the standard form for evaluation of offers was not signed by one of the members.
- The register of entities that have obtained the tender dossier was missing for the following procurements numbers: KA652/10/015/521; KA652/10/019/521; KA652/10/018/521; KA652/10/052/521 and KA652/10/047/121.
- The documentation of the winning parties for procurements no. KA652/10/052/521 and KA652/10/047/121, was not in compliance with the requirement in the tender dossier.
- From the work performed on Capital Expenditures we noted that an amount of EUR 22,160 was incorrectly drawn against this budget category instead of being drawn against the subsidies category. This amount was given as a subsidy/donation for agriculture to a local non-profit organization, "Local Action Group - Syri i Sharrit", which signed an agreement with the Municipality for disbursement of funds to local farmers in the Municipality to support their needs for sowing the wheat and saplings of apples.

Recommendation 4

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.

4.2 Other purchases

Findings

The Municipality has established a Fund for Municipal Celebrations (the “Fund”). This fund is to be used to fund celebrations of various cultural events throughout the year. Based on review of documentation, this Fund was created by the Organization of war veterans with recommendation no. 430/08 of the Mayor of the Municipality dated 29 February 2008. The authorized persons for managing this Fund are the Head of the Fund and two other members from the Organizing Council of the Fund (one of whom is part of management of the Municipality).

In accordance with Rule 2, subsidies can only be given to private and public entities, which are independent bodies from the Municipality. The Municipality was not in compliance with this regulation as the one of the Municipality’s management is an authorized person for managing this fund and no payment or withdrawal from this fund can be processed without his signature. In 2010 the Municipality continued to make payments for different celebrations to this fund. During our 2010 audit, we were informed that the management member of the Municipality resigned from the Fund. However, we were not provided with any evidence of such resignation.

There was only one payment of EUR 4,000 made to the fund for municipal celebrations during the year 2010.

Recommendation 5

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.

4.3 Remunerations (Wages and Salaries)

Findings

- The Municipality does not have a payroll system which can be used as a reliable source of information to support the figures in the financial statements. Instead, the primary and only reliable source of information relates to the payroll lists provided by the Ministry of Public Administration.
- In the personnel files that were part of our sample, we identified the following:
 - Two employees with initials FK and BR were not present in the payrolls provided from the Ministry of Public Administration although they were hired in September 2010 and October 2010 respectively. Not being included on the list is an indication that the employees are not getting paid their salaries. The Personnel officer did not provide us with any explanation as to why this happened.
 - Job Descriptions were missing in four cases (initials: FK, BR, BS and ED)
 - Two employees (initials: LT and XS), one of whom was dismissed on 3 June 2010 and the other who resigned on 24 August 2010, were not present at all in the payroll lists provided by the Ministry of Public Administration. Not being in the payroll lists is an indication that the employees were not getting paid their salaries.

- To initiate payment of salaries to the staff of the Municipality, the Commitment Payment Order (“CPO”) must be signed by three officers and sent to the Ministry of Economy Finance-Treasury Department. We noted that the CPOs for the month of May 2010 were not signed in three cases, while in another three cases the CPOs were signed only by one of the officers.

Recommendation 6

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.

VI.5 Subsidies and Transfers

Findings

No findings to report.

VI.6 Assets and Debts

6.1 Cash and cash equivalents

Findings

No findings to report.

6.2 Handling of receivables

Findings

No findings to report.

6.3 Capital and non capital assets

Findings

The Municipality has not maintained a comprehensive register of its property, plant and equipment up to 31 December 2010.

Furthermore, the Municipality has not prepared a detailed and comprehensive list of real estate property including documentation of the ownership of such property and information about registration status in the Municipality’s name in the local Real Estate Register or at Court.

Although the Municipality established a registration and valuation committee in 2009, the registration and valuation of the assets by the Municipality has not started. The registration and

valuation committee did not conclude any work and accordingly assets have not been registered or valued as at 31 December 2010.

No physical fixed asset count was performed for 2010, without such physical count we were not able to verify the existence of fixed assets.

Recommendation 7

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

- Maintain a comprehensive register of property, plant and equipment.
- 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 confirming the ownership and registration of real estate.

6.4 Debts

The total of outstanding liabilities not paid to suppliers as at 31 December 2010 was EUR 23,098. These liabilities are carried forward to be paid in 2011.

Findings

Section 13.1 of Administrative Instruction No.16 / 2010 on Annual Reporting of Budget Organizations states that: *“For all goods and services received, regardless of the economic category, budget organizations must pay for them by end of fiscal year –31 December 2010”*. We noted that the Municipality has presented unpaid invoices related to goods and service in section 13, Note 25 of the Financial Statements for the year ending 31 December 2010.

Disclosures in note 25, “Statement of Outstanding Invoices” are not complete and accurate, as required by administrative instruction IA 16/2010. During our testing we noted 3 cases of invoices outstanding as at 31 December 2010, which were not included in the list of unpaid invoices in note 25. In addition, all information was presented in the table under point a) KFMIS Data and no information was presented in the respective tables under point b) Other liabilities.

Recommendation 8

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. All efforts should be made to make payments within year end.

VII. Management Control

VII.1 Internal Control Systems

Findings

The primary reliable source of information for the preparation of financial statements is Free Balance. However, since Free Balance is not being used to record payments from third parties, property, plant and equipment or outstanding invoices, it cannot be used to produce comprehensive financial statements for the year ended 31 December 2010.

As a consequence of the above weaknesses, although the Municipality was able to present payments from third parties in the financial statements based on manually maintained records, the following was omitted or improperly disclosed in the financial statements as at 31 December 2010:

- Section 16, Note 27. 'Non-financial assets'

Recommendation 9

We recommend the Mayor ensures that 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.

VII.2 Audit Committee

Findings

The Municipality has not established an Audit Committee.

Recommendation 10

We recommend the Mayor ensures that the Municipality considers the establishment of 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;
- 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.

VIII. Overall conclusion on the Management of Municipality of Kaçanik

General conclusions

Please see audit opinion.

Overall Recommendation

- The financial statements should be prepared in compliance with the actual administrative instructions and IPSAS;
- A comprehensive list of property, plant and equipment should be maintained;
- An automated billing system for all types of taxes should be put in place, reconciliations of revenues between the own source revenue officer and operational departments should be performed, and measures should be taken to increase the collection of revenues from various taxes; and
- All efforts should be made to improve expenditure procedures.
- Audit Committee should be established.

Annex 1 Municipality of Kaçanik management comments and KPMG responses

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendations 1:</u> We recommend the Mayor ensures that 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.</p>		X		<p>We have disclosed payment from third parties totalling EUR 327 thousand, in Section 9 Statement of Cash Receipts and Payments, Note 4 – Other Receipts.</p> <p>Along with this note, we have sent to you additional detailed data on all donors and the amounts paid by donors and also confirmations for completion of these projects financed by third parties.</p>	<p>The Municipality has not addressed the findings related to preparation of the financial statements.</p>
<p><u>Recommendations 3:</u> 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 billing and revenue. Improvement of the procedures related to such systems would enable management to monitor and manage significant risks, and to ensure that decisions related to budgeting, planning and collection of revenues are properly carried out.</p>	X			<p>We are making efforts: to improve billing system by installing new software that will contain detail data on all debtors; to establish a link between the departments that generate revenue and those departments to reconcile with the accounting of budget organization.</p>	<p>The Municipality has agreed with our findings.</p>

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendations 3 (continued):</u></p> <p>We recommend that the Municipality:</p> <ul style="list-style-type: none"> • 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 management. • 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 of the billing system and accounting software on a regular basis for all types of revenues. Any reconciling differences should be promptly followed up and cleared in a timely manner. • 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 				<p>In this context, all municipalities that are facing a problem of this nature, have raised this issue in meetings of Collegiums of Directors of Budget and Finance (CDBF), which is functioning as part of the Association of Municipalities of Kosovo (AMK). Also, we requested from AMK that within a short period to overcome once and for all this apparent disorder, by making pressure to Ministry of Economy Finance (MEF) for obtaining their support.</p>	

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<u>Recommendations 4:</u> 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.					No response received from the Municipality.
<u>Recommendations 5:</u> 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.					No response received from the Municipality.
<u>Recommendations 6:</u> 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.		X		<ul style="list-style-type: none"> • We agree with your recommendation related to lack of job descriptions in the four cases identified from you; • Both employees with initials LT and XHS, could not be on the payroll lists, because they were removed from lists after work termination (XHS after June 2010 and LT after August 2010). • In addition to payroll, the Municipality uses mainly the Commitment Payment Orders (CPO) as primary information about the expenditure on wages and salaries, since the calculation of wages and salaries is performed only by the relevant department in the Ministry of Public Administration (MPA). 	The Municipality has partially agreed with our recommendations.

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<u>Recommendations 6 (continued):</u>				<ul style="list-style-type: none"> • CPO's are signed by two officers of the Municipality, while the third signature should come from higher levels such as Treasury Authorizing Officer, so we consider that this issue should be addressed to the central level as their irregularity, transferred to us. 	
<u>Recommendations 7:</u> We recommend the Mayor ensures that the Municipality considers the following: <ul style="list-style-type: none"> • Maintain a comprehensive register of property, plant and equipment. • 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 confirming the ownership and registration of real estate. 			X	<ul style="list-style-type: none"> • The Municipality has maintained the register of property, plant and equipment for Municipal Administration and Health, including appropriate documentation, informations and status of the property, except for property in the education program; • Registration of property at the year end 2010 was conducted by a commission established by decision of the Mayor and that for this there are written reports; • The Municipality has assigned the relevant officer for registration of assets in KFMIS (Free Balance) and he is processing the information on this unique system at the country level. 	The Municipality does not agree with our findings.
<u>Recommendation 8:</u> 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. All efforts should be made to make payments by the end of the year.					No response received.

<u>Recommendations</u>	Agree	Partially agree	Do not agree	Comments from the Municipality	KPMG response
<p><u>Recommendations 9:</u></p> <p>We recommend the Mayor ensures that 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.</p>		X		<p>The system of Free Balance (KFMIS) does not provide possibility to register the payments made by third parties, so the data included in financial statements are presented from donations from third parties who have contributed to the assets of Municipality.</p>	<p>The Municipality has not addressed the preparation of Financial Statements.</p>
<p><u>Recommendations 10:</u></p> <p>We recommend the Mayor ensures that the Municipality considers the establishment of 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:</p> <ul style="list-style-type: none"> • Municipality’s accounting and financial reporting process; • Assessment of internal control systems implemented by management; • Internal and external audit processes; 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. 	X			<p>The Department of Economy, Finance and Development, after the recommendations from the 2009 audit, has initiated activities for preparation of all the procedures to establish an Audit Committee. In this context, we have reviewed the following: the law no. 03/L-128 Internal Audit, Administrative Instruction of MEF no.11/2010, Internal Audit Manual by MEF, published in December 2008 and the model statute of functioning of the Audit Committee. Except for this review of procedures we have not yet established this committee in the Assembly of the Municipality, because we are waiting to establish several committees within the Municipality that will be approved by the Assembly.</p>	<p>The Municipality has agreed with our findings.</p>

Annex 2 Different types of Audit Opinions applied by KPMG in the Annual Audit Report 2010

(Extract from ISSAI 4000)

9. 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.

10. 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.

11. 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.

12. 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
- (c) There is uncertainty affecting the financial statements.

13. 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.

14. 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.

15. 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.

16. 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.

Kaçaniku Municipality

Financial Statements

as at and for the year ended 31 December 2010

(with independent auditors' report on financial statements thereon)

II. DECLARATION REGARDING PRESENTATION OF FINANCIAL STATEMENTS

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

From: **Permanent Secretary (Chief Executive 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 Municipality of Kacanik.

Date: 31 May 2011

Signature and stamp:

Chief Administrative Officer



Date: 31 May 2011

Signature and stamp:

Chief Financial Officer

Kaçaniku Municipality
Section 9. Statement of Cash Receipts and Payments
for the year ended 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

	Notes	2010			2009			2008		
		Single Treasury Account		Payments from third parties	Single Treasury Account		Payments from third parties	Single Treasury Account		Payments from third parties
		Kosovo Consolidated budget ('KCB')	OSR		KCB	OSR		KCB	OSR	
		EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Receipts										
General Fund Appropriations	2	3,950	432	-	3,419	576	-	2,738	435	-
Special Purpose Fund Appropriations		-	-	-	-	-	-	-	-	-
Designated Donor Grants	3	-	22	-	-	68	-	-	112	-
Other Receipts	4	-	-	327	-	-	-	-	-	-
Total receipts		3,950	454	327	3,419	644	-	2,738	547	-
Payments										
<i>Operations</i>										
Wages and Salaries	5	2,744	25	-	2,463	38	-	2,125	4	-
Goods and Services	6	358	96	-	181	189	-	291	187	-
Utilities	7	71	16	-	45	35	-	84	30	-
		3,173	137	-	2,689	262	-	2,500	221	-
<i>Transfers</i>										
Transfers and Subsidies	8	-	61	-	-	79	-	-	76	-
Capital Expenditures		-	-	-	-	-	-	-	-	-
Property Plant and Equipment	9	777	256	-	730	303	-	238	250	-
Other Payments	10	-	-	327	-	-	-	-	-	-
Total payments		3,950	454	327	3,419	644	-	2,738	547	-

Kaçaniku Municipality
Section 10. Budget Execution Report
for the year ended 31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

	Notes	2010				2009	2008
		Original Budget (Appropriation)	Final Budget (Appropriation)	Payments	Actual Budget	Payments	Payments
		A EUR '000	B EUR '000	C EUR '000	D=C-B EUR '000	E EUR '000	F EUR '000
Cash inflows into Treasury account							
Taxation	11	-	-	-	-	-	
Own Source Revenues 2010	12,29	549	515	316	(199)	435	
Own Source Revenues 2009	12,29	-	119	116	(3)	-	
General Fund		3,830	3,981	3,950	(31)	2,738	
Grants and Aid	13	-	30	22	(8)	112	
Capital receipts	14	-	-	-	-	-	
Privatization Fund	15	-	-	-	-	-	
Other	16	-	-	-	-	-	
Total Receipts collected for KCB		4,379	4,645	4,404	(241)	3,285	
Cash outflows from Treasury account							
Wages and Salaries	17	2,621	2,788	2,769	(19)	2,129	
Goods and Services	18	371	458	454	(4)	478	
Utilities	19	81	93	87	(6)	114	
Transfers and Subsidies	20	41	61	61	-	76	
Capital Expenditures	21	1,265	1,245	1,033	(212)	488	
Privatization Fund	22	-	-	-	-	-	
Other	23	-	-	-	-	-	
Total Payments made from KCB through STA		4,379	4,645	4,404	(241)	3,285	

The amounts presented in column (B) represent the actual allocation of the budget. The total final budget (KFMIS) was EUR 64 thousand higher than the total actual allocations presented above of EUR 4,645 thousand.

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

1. Accounting Policies

a) Basis of preparation

The financial statements have been prepared in accordance with Cash Basis IPSAS *Financial Reporting Under The Cash Basis of Accounting* and with the Administrative Instruction No. 16/2010 *On Annual Reporting Of Budget Organizations*.

The accounting policies have been applied consistently throughout the period.

b) Reporting entity

The financial statements are for a public sector entity: Municipality of Kaçaniku ('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.

c) 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.

d) Reporting currency

The reporting currency is Euro.

e) 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.

Apart from payments by thord parties (refer 1c above), payments (Expenditures) are recognized once they are paid from the Kosovo Consolidated Fund ('KCF') bank account.

f) Transfers

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

g) 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 No. 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.

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

2. General Fund Appropriations

Economic classification	2010			2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000	Total EUR '000
Wages and Salaries	2,744	25	2,769	2,501	2,130
Goods and Services	358	88	446	362	477
Utilities	71	16	87	80	112
Subsidies and Transfers	-	61	61	79	76
Capital Outlays	777	242	1,019	973	378
Total	3,950	432	4,382	3,995	3,173

3. Designated Donor Grants

	2010	2009	2008
	EUR '000	EUR '000	EUR '000
Wages and Salaries	-	-	-
Goods and Services	8	8	-
Utilities	-	-	-
Subsidies and Transfers	-	-	1
Capital Outlays	14	60	111
Total	22	68	112

4. Other Receipts

Other receipts during the year 2010 represent payments from third parties for capital investments, road construction and other capital structures. The total by third party is detailed below:

Description	2010	2009	2008
	EUR '000	EUR '000	EUR '000
Renovation of road Cardak – Kacanik i Vjeter	211	-	-
Building of primary school in Begrance	26	-	-
Renovation of road Magjistranja – Biqec - Nika	9	-	-
Building of Sport Center in Biqec	9	-	-
Construction of seats in city stadium “B. Begunca”	32	-	-
Development of agriculture	40	-	-
Total	327		

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

5. Wages and Salaries

Description	2010			2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000	Total EUR '000
Payments from KCF					
Net salaries	2,301	25	2,326	2,115	1,799
Personal Income Tax	80	-	80	70	63
Employer pension contribution	132	-	132	119	99
Employee pension contribution	132	-	132	119	99
Payments for Unions-0.10% to 0.50%	10	-	10	9	7
Overtime payments	-	-	-	-	8
Perdiem	26	-	26	-	-
Daily payments for Parliament and committee members	63	-	63	69	54
	2,744	25	2,769	2,501	2,129
Payment from Grants	-	-	-	-	-
Full time salaries	-	-	-	-	-
Overtime wages	-	-	-	-	-
Contracted payments	-	-	-	-	-
	-	-	-	-	-
Total	2,744	25	2,769	2,501	2,129

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

6. Goods and Services

Description	2010			2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000	Total EUR '000
Payments from KCF					
Expenses for local travelling	2	-	2	2	2
Expenses for abroad travelling	8	2	10	2	6
Communication Services	5	1	6	3	7
Contractual services	40	15	55	37	44
Compensations for court cases	-	-	-	1	1
Furniture and equipment with value smaller than 1,000 EUR	7	-	7	3	17
Food and drinks supply	7	14	21	14	13
Other equipment	7	1	8	9	-
Fuel for generator	13	2	15	11	30
Computer equipment with value smaller than 1,000 EUR	6	-	6	2	-
Other Expenses			-	-	15
Fuel Supply	44	1	45	51	48
Office supply	53	7	60	48	54
Advances			-	-	-
Photocopy machine	1	-	1	3	-
Vehicle maintenance and repairs	9	-	9	16	7
Internet Expenses	-	-	-	1	1
Cleaning supplies	8	1	9	9	10
Wardrobe Expenses	2	1	3	2	6
Medical supplies	3	-	3	9	17
Petroleum for heating	36	10	46	29	81
Representation Expenses	1	-	1	16	8
Medical Services	12	-	12	1	-
Technical Services	1	1	2	-	-
Membership Expenses	1	-	1	1	3
Fuel for vehicles	28	6	34	30	29
Insurance and registration of vehicles	7	1	8	6	5
Building maintenance	31	9	40	22	47
Maintenance of roads infrastructure	1	1	2	5	4
Maintenance of Information Technology	-	-	-	1	-
Maintenance of furniture and equipments	2	-	2	3	7
Advertisement Expenses	4	3	7	4	-
Notification publishing	1	3	4	12	8
Public Information Expenses	6	-	6	8	8
Training and Education Expenses			-	-	-
Advances for business travelling	12	9	21	-	-
Balance carried forward	358	88	446	361	478

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

6. Goods and Services (continued)

Description	2010			2009	2008
	KCB	OSR	Total	Total	Total
	EUR '000	EUR '000	EUR '000		
Balance brought forward	358	88	446	361	478
Payment from Grants					
Travel expenses	-	-	-	4	-
Telecommunication services	-	2	2	4	-
Contractual services	-	6	6	-	-
Furniture and equipment	-	-	-	-	-
	-	8	8	8	-
Total	358	96	454	370	478

7. Utilities

Description	2010			2009	2008
	KCB	OSR	Total	Total	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Utilities paid from the KCF	71	16	87	80	114
Utilities paid from Grants	-	-	-	-	-
Total	71	16	87	80	114

8. Transfers and Subsidies

Description	2010			2009	2008
	KCB	OSR	Total	Total	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Payments from KCF					
Subsidies	-	-	-	-	-
Subsidies for public entities	-	11	11	37	36
Subsidies for non-public entities	-	20	20	30	23
Payments for individual beneficiaries	-	25	25	12	17
Other transfers	-	5	5	-	-
Disabled pensions	-	-	-	-	-
Pensions or social assistance	-	-	-	-	-
Payments for war invalids	-	-	-	-	-
Payments for war victims families	-	-	-	-	-
Trepca provisional pensions	-	-	-	-	-
		61	61	79	76
Payment from Grants					
Subsidies	-	-	-	-	-
Subsidies for public entities	-	-	-	-	-
Subsidies for non-public entities	-	-	-	-	-
Payments for individual beneficiaries	-	-	-	-	-
	-	-	-	-	-
Total	-	61	61	79	76

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

9. Property, Plant and Equipment

Description	2010		2009	2008
	KCB EUR '000	OSR EUR '000	Total EUR '000	Total EUR '000
Payments from KCF				
Land	-	2	2	-
Buildings	64	74	138	18
Road construction	389	81	470	631
Waste and water system	62	50	113	93
Water supply system	100	-	100	6
Energy, generation, transfer, and supply	38	-	38	54
Machinery	-	-	-	152
Other capitals items	124	35	158	19
	777	242	1,019	973
Payment from Grants				
Buildings	-	-	-	-
Road construction	-	7	7	60
Waste and water system	-	7	7	-
Water supply system	-	-	-	-
	-	14	14	60
Total	777	256	1,033	1,033

10. Other Payments

Description	Donator	2010
		Amount EUR '000
Renovation of road Cardak – Kacanik i Vjeter	Ministry of Transport and Post Telecommunication (MTPT)	211
Building of primary school in Begrance	Ministry of Education, Science and Technology (MEST)	26
Renovation of road Magjistranja – Biqec - Nika	Caritas	9
Building of Sport Center in Biqec	Caritas	9
Construction of seats in city stadium “B. Begunca”	USAID	32
Development of agriculture	Heifer Kosova	40
Total		327

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

11. Taxation

Description	Note	2010	2009	2008	% of total	% of
		Original Budget				
		EUR '000	EUR '000	EUR '000		From 2009
Customs	11.1	-	-	-	-	-
Tax Administration	11.2	-	-	-	-	-
Other tax	11.3	-	-	-	-	-
Total		-	-	-	-	-

12. Own source revenues

Description	Notes	2010	2009	2008	% of	% of
		EUR '000	EUR '000	EUR '000	2010 total	Difference from 2009
Administrative Tax	12.1	185	105	192	36%	77%
Penalty-fines revenue		1	80	98	0%	-99%
Revenues from advertisement		-	-	24	0%	0%
Professional services license		-	-	5	0%	0%
Revenues from license on use of forests		2	11	7	0%	-84%
Revenues from rent of public		28	18	-	6%	49%
Revenues from building licenses		32	17	-	6%	89%
Sale of services revenue		-	-	5	0%	0%
Participation revenues		-	-	-	0%	0%
Inspection revenues		1	2	2	0%	-29%
Revenue from business licenses		-	18	-	0%	-100%
Revenues from geodesy activities		12	20	-	2%	-42%
Land usage revenues		10	-	38	2%	100%
Tax on Property		190	150	-	37%	27%
Revenues from kindergarten		14	-	-	3%	100%
Revenues from commercial licenses		26	-	-	5%	100%
Other receipts		1	3	139	0%	-63%
Revenue from previous year		-	-	-	0%	0%
Revenues from Health Services		13	21	-	2%	-40%
Public Services Revenues		-	-	36	0%	0%
Total		515	445	546	100%	16%
Own source revenue carried forward from previous year	29	119	250	139		

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

12.1 Own source revenues – Administrative tax

Description	2010 EUR '000	2009 EUR '000	2008 EUR '000
Vehicle Registration Taxes	37	34	-
Driving License Taxes	2	4	-
Travelling Documents Taxes	-	-	-
Tender Participation	4	3	-
Road Tax	-	-	-
Official certificates (birth, martial, death etc)	39	37	-
Other official certificates	28	27	-
Certification of documents	19	-	-
Court Penalties	45	-	-
Forest Fines	11	-	-
Return of court taxes	-	-	-
Total	185	105	-

13. Grants and Assistance

Description	2010 EUR '000	2009 EUR '000	2008 EUR '000
Community Participation in the suburb Lekaj - Doganaj	-	5	-
Community Participation in the suburb Topall-Soponicë	-	7	-
Community Participation in the suburb Topall-Soponicë	-	7	-
Community Participation in the suburb Trima-Manve dhe Prushve	-	6	-
Community Participation in the suburb Qardak-K. I Vjetër	-	19	-
Community Participation in the suburb Trima-Manve dhe Prushve	-	1	-
Community Participation in the suburb Shorr-Zharkë-Bicaj	-	18	-
Community Participation in the suburb Glloboqicë-R.Luma	-	3	-
Funds from World Bank for Education	8	16	-
Community Participation Ndërtimi i trotuarit në rr."Vëllezërit Çaka" në Kaçanik (me LOGOS-in)	7	9	112
Total	22	91	112

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

14. Capital receipts

Asset Type	Profit from Sale		
	2010 EUR '000	2009 EUR '000	2008 EUR '000
Infrastructure	-	-	-
Manufacturing	-	-	-
Site and Equipment	-	-	-
Total	-	-	-

15. Privatization fund

POE	Profit from Privatization		
	2010 EUR '000	2009 EUR '000	2008 EUR '000
POE #1	-	-	-
POE #2	-	-	-
POE #3	-	-	-
POE #4	-	-	-
POE #5	-	-	-
Total	-	-	-

16. Other

Receipt type	2010 EUR '000	2009 EUR '000	2008 EUR '000
Lottery games deposit	-	-	-
Regulatory committee deposit	-	-	-
ADD deposits	-	-	-
Special Chamber deposit	-	-	-
Total	-	-	-

Kaçaniku Municipality

Section 11. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

17. Difference between payments and final budget for wages and salaries

The decrease in actual payments for wages and salaries amounting to EUR 19 thousand compared to the final budget is explained by the decrease in the number of meetings of the Municipality Assembly in comparison to those planned.

18. Difference between payments and final budget for goods and services

The decrease in actual payments for goods and services amounting to EUR 4 thousand compared to the final budget is explained by the invoices/liabilities carried forward to 2011, due to delay of suppliers in issuing the invoices.

19. Difference between payments and final budget for utilities

The decrease in actual payments for utilities amounting to EUR 6 thousand compared to the final budget is explained by the invoices/liabilities carried forward to 2011, due to delay of public companies in issuing the invoices.

20. Difference between payments and final budget for transfers and subsidies

There is no difference between the final budget amount and the actual amount.

21. Difference between payments and final budget for capital expenditure

The decrease of EUR 212 thousand for capital expenditure is due to several projects not finalized during 2010.

22. Difference between payments and final budget for privatization fund

There were no budgeted or actual payments for the privatization fund during 2010.

23. Difference between payments and final budget for other payments

There were no other payments budgeted or paid during 2010.

Kaçaniku Municipality

Section 12 to 18. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 12.

24. Reporting obligations under the LPFMA

No	Number of employees by department	Number of employees as per Budget Law 03/L-105	Number of employees as per reviewed Budget	Actual number of employees at the beginning of 2010		Actual number of employees at the end of 2010	
				Full time employees	Part time employees	Full time employees	Part time employees
1	Mayor Office	18	17	17	-	17	-
2	Administration	24	25	24	-	25	-
3	Budget and finance	17	17	16	-	17	-
4	Public services and emergency	25	26	23	-	26	-
5	Agriculture	4	12	4	-	12	-
6	Urban planning	14	13	13	-	13	-
7	Health	115	115	114	-	115	-
8	Education and culture	567	567	573	-	572	-
	Total	784	792	784	-	797	-

Kaçaniku Municipality

Section 12 to 18. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

25. Statement of budget organization unpaid invoices (obligations)

a. KFMIS Data

No	Purchase Order No	Purchase Order Amount	Economic Code	Description	Vendor	Amount Paid in EUR	Amount Received (Goods Received)	Amount not paid in EUR
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Details of requirements under point a were presented on the table below under point b.

Kaçaniku Municipality

Section 12 to 18. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

24. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
1	31.08.2010	2010/1043	14220	30.09.2010	Infopress	Publications	Not sufficient funds	0.835
2	30.09.2010	2010/1216	14220	31.10.2010	Infopress	Publications	Not sufficient funds	0.909
3	31.10.2010	2010/1295	14220	30.11.2010	Infopress	Publications	Not sufficient funds	0.752
4	30.11.2010	2010/1418	14220	30.12.2010	Infopress	Publications	Not sufficient funds	0.538
5	17.08.2010	708/10	14220	16.09.2010	Epoka e Re	Publications	Not sufficient funds	0.116
6	14.09.2010	807/10	14220	13.10.2010	Epoka e Re	Publications	Not sufficient funds	0.116
7	30.09.2010	869/10	14220	29.10.2010	Epoka e Re	Publications	Not sufficient funds	0.116
8	16.10.2010	969/10	14220	15.11.2010	Epoka e Re	Publications	Not sufficient funds	0.087
9	22.11.2010	1026/10	14220	21.12.2010	Epoka e Re	Publications	Not sufficient funds	0.116
10	30.11.2010	1066/10	14220	29.12.2010	Epoka e Re	Publications	Not sufficient funds	0.116
11	30.12.2010	1187/10.	14220	29.01.2011	Epoka e Re	Publications	Not sufficient funds	0.232
12	30.12.2010	1266/10	14220	29.01.2011	Epoka e Re	Publications	Not sufficient funds	0.348
13	15.10/2010	073/10	14210	14.11.2010	Office of Prime minister	Publications	Not sufficient funds	0.078
14	12.11.2010	073/11	14210	11.12.2010	Office of Prime minister	Publications	Not sufficient funds	0.078
15	03.12.2010	073/12	14210	02.01.2011	Office of Prime minister	Publications	Not sufficient funds	0.078
16	01.09.2010	09/10.	13480	30.09.2010	Association of Municipalities of Kosovo	Membership TM-03	Not sufficient funds	0.594
17	12.11.2010	09/10.	13480	11.12.2010	Association of Municipalities of Kosovo	Membership TM-04	Not sufficient funds	0.594
18	30.11.2010	180-A/010	13780	29.12.2010	NTP "Shkëndija Petrol"	Fuel for vehicles-DBPZHR	Not sufficient funds	0.160

Kaçaniku Municipality
Section 12 to 18. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

25. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities (continued)

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
19	23.12.2010	199-A/010	13720	22.01.2011	NTP "Shkëndija Petrol"	Fuel for central heating	Not sufficient funds	2.240
20	31.12.2010	203-A/010	13780	30.01.2011	NTP "Shkëndija Petrol"	Fuel for vehicles-DBPZHR	Not sufficient funds	0.221
21	31.12.2010	204-A/010	13780	30.01.2011	NTP "Shkëndija Petrol"	Fuel for vehicles	Not sufficient funds	1.221
22	20.09.2010	77/KK	13610	19.10.2010	Printing House " ERA "	Office supplies	Not sufficient funds	0.185
23	24.12.2010	95	13610	23.01.2011	Printing House " ERA "	Office supplies	Not sufficient funds	0.510
24	08.11.2010	115/10-E	13460	07.12.2010	Health institute	Services for X-rays	Not sufficient funds	0.144
25	28.10.2010	10-210-05-1096	14010	27.11.2010	Delfini L.T.D	Antifreez Total Upa - 37	Not sufficient funds	0.048
26	02.12.2010	80/600186.	13460	31.12.2010	Health institute	Chemical analysis of water	Not sufficient funds	0.250
27	24.11.2010	71/210	13460	23.12.2010	Syri i Shqiponjës, Sh.pk.	Building security M-11/2010	Not sufficient funds	0.750
28	21.12.2010	78/2010	13460	20.01.2011	Syri i Shqiponjës, Sh.pk.	Building security M-12/2010	Not sufficient funds	0.750
29	30.09.2010	101/2010	13133	29.10.2010	Merkatori, Sh.a. - Gjilan	Transporation of pupils	Not sufficient funds	0.176
30	31.10.2010	118/10	13133	30.11.2010	Merkatori, Sh.a. - Gjilan	Transporation of pupils	Not sufficient funds	0.176
31	30.11.2010	128/10	13133	29.12.2010	Merkatori, Sh.a. - Gjilan	Transporation of pupils	Not sufficient funds	0.176
32	23.12.2010	138/10	13133	22.01.2011	Merkatori, Sh.a. - Gjilan	Transporation of pupils	Not sufficient funds	0.156

Kaçaniku Municipality

Section 12 to 18. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

26. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities (continued)

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
33	24.11.2010	99/10	14310	23.12.2010	Restaurant MANI	Lunch for teachers of the Municipality	Not sufficient funds	2.290
34	02.11.2010	93/10	14310	01.12.2010	Restaurant MANI	Official lunch	Not sufficient funds	0.074
35	24.11.2010	02/2010	14310	23.12.2010	Restaurant BENI	Official lunch	Not sufficient funds	0.092
36	02.12.2010	03/2010	14310	31.12.2010	Restaurant BENI	Official lunch	Not sufficient funds	0.038
37	03.12.2010	04/2010	14310	02.01.2011	Restaurant BENI	Official lunch	Not sufficient funds	0.110
38	14.12.2010	0018356	13133	13.01.2011	Zjadin Zenuni- Taxi, Gabrricë	Transportation of pupils	Not sufficient funds	0.300
39	30.04.2010	04/2010	13133	29.05.2010	Gurana Tours, NSHT - Hani Elezit	Transportation of pupils Kashan- Hani I Elezit	Not sufficient funds	0.280
40	31.05.2010	05/2010	13133	30.06.2010	Gurana Tours, NSHT - Hani Elezit	Transportation of pupils Kashan- Hani I Elezit	Not sufficient funds	0.280
41	31.06.2010	06/2010	13133	30.07.2010	Gurana Tours, NSHT - Hani Elezit	Transportation of pupils Kashan- Hani I Elezit	Not sufficient funds	0.280
42	06.01.2011	4989074	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.280
43	06.01.2011	4989073	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	1.466

Kaçaniku Municipality

Section 12 to 18. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

27. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities (continued)

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
44	06.01.2011	5031858	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.189
45	06.01.2011	5006552	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.068
46	06.01.2011	4982673	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.039
47	06.01.2011	4987565	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.003
48	06.01.2011	4985147	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.045
49	06.01.2011	4980797	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.004
50	06.01.2011	4981515	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.005
51	06.01.2011	5031857	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.168
52	06.01.2011	5000049	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.008
53	06.01.2011	4996911	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.003
54	06.01.2011	4992969	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.042
55	06.01.2011	4990476	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.003
56	06.01.2011	4989072	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.637
57	06.01.2011	4997833	13210	21.01.2011	KEK	Electricity M-12/2010	Not sufficient funds	0.003
58	01.01.2011	24481	13220	15.01.2011	NKP "LYPETENI"	Water M-12/2010	Not sufficient funds	0.084
59	01.01.2011	24327	13220	15.01.2011	NKP "LYPETENI"	Water M-12/2010	Not sufficient funds	0.005
60	01.01.2011	24317	13220	15.01.2011	NKP "LYPETENI"	Water M-12/2010	Not sufficient funds	0.012

Kaçaniku Municipality

Section 12 to 18. Notes to the financial statements

31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 13.

28. Statement of budget organization unpaid invoices (obligations) (continued)

b. Other liabilities (continued)

No	Invoice Date	Invoice Number	Economic Code	Payment due date	Vendor	Purpose	Reason for non payment	Amount EUR'000
61	01.01.2011	24145	13220	15.01.2011	NKP "LYPETENI"	Water M-12/2010	Not sufficient funds	0.029
62	01.01.2011	24506	13220	15.01.2011	NKP "LYPETENI"	Water M-12/2010	Not sufficient funds	0.049
63	06.01.2011	24254989/2011	13250	21.01.2011	PTK	Fix line phone M-12/2010	Not sufficient funds	0.529
64	06.01.2011	24282945/2011	13250	21.01.2011	PTK	Fix line phone M-12/2010	Not sufficient funds	0.008
65	06.01.2011	242829432011	13250	21.01.2011	PTK	Fix line phone M-12/2010	Not sufficient funds	0.008
66	21.01.2011	4984328	13210	04.02.2011	KEK	Electricity Sht.Kulturës DFE- 9012469	Not sufficient funds	2.551
67	01.01.2011	201696	13220	15.01.2011	NKP "LYPETENI"	Water - House of culture	Not sufficient funds	0.251
							Total	23.098

Kaçaniku Municipality
Section 12 to 18. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 14.

26. Statement of Unjustified Advances and Loans

Issuance Date	CPO No.	Purpose	2010 EUR '000
			-
Total			-

Section 15.

27. Summary of Non-Financial Assets Possessed by Budget Organizations

Assets Classification	2010 EUR '000	2009 EUR '000	2008 EUR '000
Land	19,254	19,252	19,252
Equipment	356	328	317
Vehicles	252	252	252
Inventory	117	117	117
Non-residential Buildings	5,196	4,967	4,677
Other Constructed Structures	152	152	-
Roads Construction	7,178	6,702	4,954
Other Capitals	431	344	258
Watering System	107	7	-
Sewage	1,517	1,397	1,285
Total	34,560	33,518	31,112

ID Category	Category	2010 EUR '000
		-
		-
		-
Total		-

Kaçaniku Municipality
Section 12 to 18. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

28. Receivables (used for revenue collecting organizations)

Invoice Date	UNIREF	Economic Code	Description	Due Date	Debtor	Amount
N/A	KAE2K1111111111P	4011	Tax on property	31.12.2010	Tax payers	516
N/A	KAE4F1111111111R	5006	Business licenses	31.12.2010	Businesses	44
N/A	KAU8G1111111111R	50407	Rent	31.12.2010	Lessors	45
Total						605

29. Summary of Carried Forward Own Source Revenues

	2010 EUR '000	2009 EUR '000	2008 EUR '000
Own Source Revenues carried forward from the previous year	119	250	139
Own Source Revenues received this year in accordance with Note 12	515	445	546
Available total for appropriation in the current year	634	695	685
Wages and Salaries	(25)	(38)	(4)
Goods and Services	(88)	(181)	(187)
Utilities	(16)	(35)	(30)
Transfers and subsidies	(61)	(79)	(76)
Capital Outlays	(242)	(243)	(138)
Other	-	-	-
Total paid in 2010	(432)	(576)	(435)
Carried forward amount	202	119	250

Section 16.

30. Contingent Liabilities

Contingency Liability Type	Reason for Liabilities	2010 EUR '000	2009 EUR '000	2008 EUR '000
		-	-	-
		-	-	-
		-	-	-
		-	-	-
Total		-	-	-

Kaçaniku Municipality
Section 12 to 17. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Section 17.

31. Reconciliation between Original and Final Budget Appropriations

Appropriation Category	Authorized reconciliations by Law on Public Financial Management and Accountability ('LPFMA')					Final Budget Appropriation KFMIS (a) EUR '000	Adjustment from Original Budget EUR '000
	Original Budget Appropriation Law on Appropriations (Law No. 03/L-105) EUR '000	Changes pursuant to Sec.29 Law 03/L-048 EUR '000	Changes pursuant to Sec.30 Law 03/L-048 EUR '000	Changes pursuant to Sec.31 Law 03/L-048 EUR '000	ORS Changes EUR '000		
Inflows							
Tax							
General Grant	3,830	-	-	196	-	3,981	4%
Own source Revenues	549	-	-	-	(34)	515	-6%
Own source Revenues 2009	-	-	-	-	119	119	100%
Grants and Aid	-	-	-	-	-	-	0%
Capital Receipts	-	-	-	-	30	30	100%
Privatization Fund	-	-	-	-	-	-	0%
Other	-	-	-	-	-	-	0%
Total	4,379	-	-	196	115	4,645	6%
Outflows							
Wages and Salaries	2,621	-	-	140	27	2,788	6%
Goods and Services	371	-	-	(5)	92	458	23%
Utilities	81	-	-	1	11	93	15%
Transfers and Subsidies	41	-	-	-	20	61	49%
Capital Expenditures	1,265	-	-	15	(35)	1,245	-2%
Privatization Fund	-	-	-	-	-	-	0%
Other	-	-	-	-	-	-	0%
Total	4,379	-	-	151	115	4,645	6%

The amounts presented in column (a) represent the actual allocation of the budget. The total final budget (KFMIS) was EUR 34 thousand higher than the total actual allocations presented above.

Kaçaniku Municipality
Section 12 to 18. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Budget Execution Report

Description		Original Budget	Final Budget	Payments	Progress	Progress
		Law No. 03/L-105	KFMIS		in %	in %
A		b	c	d	e=(d-b)/b	f= (d-c)/c
Total Payments	1+2+3+4	4,379	4,645	4,404	1%	-5%
Payments from the General Grant	1	3,830	3,981	3,950	3%	-1%
Wages and Salaries		2,621	2,762	2,744	5%	-1%
Goods and Services		366	361	358	-2%	-1%
Utilities		75	75	71	-5%	-6%
Subsidies and Transfers		-	-	-	0%	0%
Capital Investments		768	783	777	1%	-1%
Payments from Own Source Revenues of 2010	2	549	515	316	-42%	-39%
Wages and Salaries		-	-	-	0%	0
Goods and Services		5	55	55	1000%	-1%
Utilities		6	6	4	-32%	-32%
Subsidies and Transfers		41	40	40	-2%	0%
Capital Investments		497	414	217	-56%	-48%
Payments from Own Source Revenues carried Forward from 2009	3	-	119	116	100%	-2%
Wages and Salaries		-	27	25	100%	-5%
Goods and Services		-	27	25	100%	-6%
Utilities		-	33	33	100%	0%
Subsidies and Transfers		-	11	12	100%	5%
Capital Investments		-	21	21	100%	-1%
Payments from the pre-assigned Grant	4	-	30	22	100%	-26%
Wages and Salaries		-	-	-	100%	0%
Goods and Services		-	8	8	100%	0%
Utilities		-	-	-	100%	0%
Subsidies and Transfers		-	-	-	100%	0%
Capital Investments		-	22	14	100%	-35%

The amounts presented in column (c) represent the actual allocation of the budget. The total final budget (KFMIS) was EUR 34 thousand higher than the total actual allocations presented above.

Kaçaniku Municipality
Section 12 to 18. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Report of Payments under Programs

		Mayor office	Administration	Budget and finance	Total
Total Payments	1+2+3+4	1,637	2,201	566	4,404
Payments from the General Grant	1	1,319	2,099	532	3,950
Wages and salaries		463	1,855	426	2,744
Goods and services		127	154	77	358
Utilities		33	21	17	71
Subsidies and transfers		-	-	-	-
Capital Investments		696	69	12	777
Payments from Own Source Revenues of 2010	2	239	68	9	316
Wages and salaries		-	-	-	-
Goods and services		20	30	5	55
Utilities		-	4	-	4
Subsidies and transfers		21	15	4	40
Capital Investments		198	19	-	217
Payments from Own Source Revenues of 2009	3	65	26	25	116
Wages and salaries		-	-	25	25
Goods and services		32	1	-	33
Utilities		3	9	-	12
Subsidies and transfers		5	16	-	21
Capital Investments		25	-	-	25
Grants	4	14	8	-	22
Wages and salaries		-	-	-	-
Goods and services		-	8	-	8
Utilities		-	-	-	-
Subsidies and transfers		-	-	-	-
Capital Investments		14	-	-	14

Kaçaniku Municipality
Section 12 to 18. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Report of Receipts under Programs

Description	Code	Administration	Agriculture	Budget and Finance	Cadastre	Urban planning	Health	Education and culture	Public services	Total
Tax for business registration	50006	-	-	26	-	-	-	-	-	26
Tax for Public Parking	50008	-	-	-	-	-	-	-	-	-
Tax for vehicle registration	50001	-	-	37	-	-	-	-	-	37
Revenues from the physical division of the city planning	50504	-	-	-	-	-	-	-	-	-
Tax for construction licenses	50009	-	-	-	-	32	-	-	-	32
Tax for registration of inheritance	50011	-	-	-	16	-	-	-	-	16
Tax for change in land destination	50012	-	10	-	-	-	-	-	-	10
Tax for birth certificates	50013	34	-	-	-	-	-	-	-	34
Tax for death certificates	50015	-	-	-	-	-	-	-	-	-
Tax for martial certificates	50014	5	-	-	-	-	-	-	-	5
Tax for verification of various documents	50017	-	-	-	-	-	-	-	-	-
Administrative Taxes	50019	1	-	3	8	-	-	-	-	12
Tax for Tender Participation	50020	4	-	-	-	-	-	-	-	4
Inspection fines	50104	-	-	-	-	-	-	-	-	-
Other penalties	50107	-	-	-	-	-	1	-	-	1
License for quarries and mines	50203	-	-	-	-	-	-	-	-	-
Technical acceptance for shops	50205	-	-	-	-	-	-	-	-	-
Sanitary approval	50501	-	-	-	-	-	-	-	-	-
Rent for trade buildings	50407	-	-	-	-	28	-	-	-	28
Wood pulp	50403	-	13	-	-	-	-	-	-	13
Use of public property	50405	-	-	-	-	-	-	-	-	-
Rent from Public Buildings	50408	-	-	-	-	-	-	-	-	-
Medical certificates taxes for drivers	50024	-	-	-	-	-	2	-	-	2
Participation in Health	50409	-	-	-	-	-	13	-	-	13
Participation in Education – Cultural activities	50409	-	-	-	-	-	-	14	-	14
Land measurement activity	50504	-	-	-	12	-	-	-	-	12
Urban Planning and Inspection activities	50503	-	-	-	-	-	1	-	-	1
Hygiene – Sanitary Inspection	50507	-	-	-	-	-	1	-	-	1
Property Tax	40110	-	-	190	-	-	-	-	-	190
Traffic Fines	50101	-	-	-	-	-	-	-	19	19
Court Penalties- Fines	50102	-	-	-	-	-	-	-	45	45
Total		44	24	256	35	60	18	14	64	515

Kaçaniku Municipality
Section 12 to 18. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Payments from the General Fund ('KCF') and Own Source Revenue ('OSR')

	Economic classification					Total
	Wages and salaries	Goods and services	Utilities	Subsidies and Transfers	Capital Outlays	
Social protection	25	-	-	-	-	25
General public services	288	151	2	24	543	1,008
Defense	-	-	-	-	-	-
Public order and safety	-	-	-	-	-	-
Economic affairs	28	133	54	3	371	589
Environmental Protection	-	-	10	-	40	50
Housing and Community Amenities	147	-	6	1	5	159
Health	426	29	-	3	11	469
Recreation, Culture and Religion	-	-	-	12	29	41
Education	1,855	133	15	18	20	2,041
TOTAL	2,769	446	87	61	1,019	4,382

Payments from Designated Grants

	Economic classification					Total
	Wages and salaries	Goods and services	Utilities	Subsidies and Transfers	Capital Outlays	
Social protection	-	-	-	-	-	-
General public services	-	-	-	-	14	14
Defense	-	-	-	-	-	-
Public order and safety	-	-	-	-	-	-
Economic affairs	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-
Housing and Community Amenities	-	-	-	-	-	-
Health	-	-	-	-	-	-
Recreation, Culture and Religion	-	-	-	-	-	-
Education	-	8	-	-	-	8
TOTAL	-	8	-	-	14	22

Kaçaniku Municipality
Section 12 to 18. Notes to the financial statements
31 December 2010

(Amounts in thousands of EUR, unless otherwise stated)

Article 18. Law No 03/L-221.

Report on taken and proposed actions on findings and recommendations of the Auditor General for year 2009

No	Recommendation or finding	Taken or proposed action	Deadline for implementation	Effect
1	Financial Statements	No findings for 2010 financial statements	For 2010 FS	N/A
2	Property management	We have started recording the property on 2011 in Free Balance	Up to 31 December 2011	N/A
3	Revenues	We still do not have appropriate software	Ongoing	N/A
4	Expenses	We have improved internal controls	Ongoing	N/A
5	Internal Audit	Internal procedures have been reviewed.	Approval by Assembly during 2011	N/A