

MUNICIPALITY OF SHTËRPCE

Independent Auditor's Report and
Financial Statements for the year ended December 31, 2010

INDEPENDENT AUDITOR'S REPORT

To the Municipal Assembly, Municipality of Shtërpce, Kosovo

Report on the Financial Statements

We have audited the accompanying financial statements ("the Statements") of the Municipality of Shtërpce (the 'Municipality') which comprise the Statement of cash receipts and payments and other explanatory information for the year ended December 31, 2010 and its compliance with applicable procurement laws and regulations.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Statements that give a true and fair view in accordance with the guidelines set out in the Law No. 03/L-048 on Public Financial Management and Accountability which specifies that the financial statements should be prepared under International Public Sector Accounting Standard ("IPSAS") "Financial Reporting under the Cash Basis of Accounting", 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. Further management has the responsibility for establishing and maintaining effective internal control, for identifying and ensuring that the Municipality complies with the laws and regulations applicable to its activities.

Auditor's 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 on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of these Statements that give a true and fair view 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 policies 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 qualified audit opinion.

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Basis for qualified opinion

1. The Municipality has not disclosed in the notes to the Statements, the government grants received from the KCB as required by Article 10 paragraph 4 of Administrative Instruction 16/2010.
2. The Municipality has not disclosed in the notes to the Statements, information related to fixed assets as required by Article 15 paragraph 1 and 2 of Administrative Instruction 16/2010 (2009: 20/2009).
3. The Municipality failed to establish effective procedures for procurement related to compliance with procurement regulations, as a result of which we have noted during our audit certain irregularities such as: procurement activities initiated without prior commitment of funds in the Free Balance system, irregularities in management of supply contracts, etc.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph 1 to 2, the Statements present fairly the revenue collected and expenses paid by the Municipality for the year December 31, 2010 in accordance with the International Public Sector Accounting Standards (IPSAS) for “Financial Reporting under the Cash Basis of Accounting”.

Opinion on regulatory compliance

Further, in our opinion, and as discussed in paragraph 3 above the Municipality has not established effective procedures for procurement and is not in compliance with procurement regulations.

Deloitte Kosova sh.p.k
Prishtina, Republic of Kosovo
June 3, 2011

Note:

1. Detailed observations, recommendations and management responses to those are disclosed in Appendix 1 to this report.
2. Explanations on the different forms of the Audit Opinions under International Standards on Auditing “ISA” are disclosed in Appendix 2 to this report.



Republika e Kosovës
Republika Kosova-Republic of Kosovo

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KOMUNA E SHTËRPCËS
MUNICIPALITY OF STRPCE

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Section 8. 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 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 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 Municipality of Shterpce 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 their notes

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 Municipal Assembly of Shterpce.

Date:
Signature and stamp: _____

Chief Administrative Officer

Date:
Signature and stamp: _____

Chief financial Officer

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Section 9. Statement of receipts and payments in cash

Statement of Receipts and Payments in cash for the Municipality of Shterpçë
Government of Kosovo
For the year ended on 31 December, 2010

		2010			2009			2008	
		Treasury single account		Payments By External 3rd Parties	Treasury single account		Payments By External 3rd Parties	Treasury single account	
		KCB	OSR		KCB	OSR		KCB	OSR
Notes		€	€		€	€		€	€
RECEIPTS									
General fund Appropriations	2	3,645,911.41	97,659.36		1,594,045.35	55,317.68		954,694.62	38,390.06
Special Purpose Fund Appropriations									
Designated Donor Grants	3	12,130.00							
Other receipts	4			871,919.03					
Total of receipts		3,658,041.41	97,659.36	871,919.03	1,594,045.35	55,317.68	-	954,694.62	38,390.06
PAYMENTS									
Operations									
Salaries and Wages	5	1,001,991.64			836,305.85			740,974.13	
Goods and Services	6	94,087.02	83,821.36		137,518.31	49,833.00		100,555.14	27,090.06
Utilities	7	33,154.82			31,599.63			31,218.35	
		1,129,233.48	83,821.36	-	1,005,423.79	49,833.00	-	872,747.62	27,090.06
Transfers									
Transfers and subsidies	8	5,000.00	600.00		3,500.00				
Capital investments									
Property, Plant and Equipn	9	2,523,807.93	13,238.00		585,121.56	5,484.68		81,947.00	11,300.00
Other payments	10			871,919.03					
Total of payments		3,658,041.41	97,659.36	871,919.03	1,594,045.35	55,317.68	-	954,694.62	38,390.06

* Other receipts - represent the amount which is outside the municipal budget. Other Receipts (4) as well as other payments ** (10) are made for capital projects. See attached table notes 4 and 10.

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Section 10. Budget Execution Report

		Beginning Budget (Appropriation)	Final Budget (Appropriation)	Payments	Variance	Payments	Payments
		A	B	C	D=C-B	E	F
	Notes	€	€	€	€	€	€
Cash inflows in to treasury account							
Tax	11						
Own source revenues 2010	12	66,911.00	81,911.00	114,263.65	32,352.65	74,474.78	28,077.51
Own source revenues 2009							
Grants and Aid	13	0.00	12,130.00	12,130.00	0.00		
Capital receipts	14						
Privatization Fund	15						
Others	16						
Total receipts collected for KCB		66,911.00	94,041.00	126,393.65	32,352.65	74,474.78	28,077.51
Cash outflows from treasury account			-				
Salaries and Wages	17	958,542.00	1,049,448.00	1,001,991.64	(47,456.36)	836,305.85	740,974.44
Goods and Services	18	126,214.00	185,512.27	177,908.38	(7,603.89)	187,351.31	127,645.20
Utilities	19	32,120.00	33,158.00	33,154.82	(3.18)	31,599.63	31,218.35
Transfers and subsidies	20	5,000.00	5,000.00	600.00	(4,400.00)	3,500.00	0.00
Capital expenditures	21	590,993.00	2,579,015.52	2,529,915.93	(49,099.59)	590,606.24	93,247.00
Privatization fund	22						
Others	23						
Total payments done from KCB through TSA		1,712,869.00	3,852,133.79	3,743,570.77	(108,563.02)	1,649,363.03	993,084.99

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Section 11. Disclosure notes

Note 1

Information for the budget organization (activities, legislations, etc) and accounting policies
 Shterpce municipality functions based on the law for management of public finance and responsibilities no.
 03/L-048 and its accounting policies that are in compliance with the accounting system Freebalance applied by
 Treasury Department-MEF.

Note 2 General budget appropriations

Economic classification	2010		2009	2008
	KCB	OSR		
	€	€	€	€
Salaries and Wages	1,001,991.64		836,305.85	740,974.13
Goods and Services	94,087.02	83,821.36	187,351.31	127,645.20
Utilities	33,154.82		31,599.63	31,218.35
Transfers and subsidies		600.00	3,500.00	
Capital investments	2,516,677.93	13,238.00	590,606.24	93,247.00
	3,645,911.41	97,659.36	1,649,363.03	993,084.68

Table above shows expenses from 5 economic categories based on funds from government grants and own source revenues.

Note 3 Designated Donor Grants

Economic Classification	2010	2009	2008
	€	€	€
Salaries and Wages			
Goods and Services			
Utilities			
Transfers and Subsidies	5,000.00		
Capital investments	7,130.00		
	12,130.00	-	-

The above table shows expenses from external donations. PTK has subsidized cultural activities in municipality with an amount of € 5,000, and LOGOS Switzerland has participated with € 7,130 in project for reconstruction of center in Shtërpçë.

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Note 4 Other receipts

Donations and support from the central level for capital projects during 2010 (outside the 2010 budget)			
No	Project	Donor	Amount
1	IT equipment for municipality administration	USAID	24,956.38 €
2	Garbage containers - 96	USAID	23,904.00 €
3	Garbage collection trucks- 2	USAID	77,920.00 €
4	Billing software for the Municipality Company	USAID	3,390.00 €
5	Regulation of green market	USAID	81,636.00 €
6	Construction of road in Sevcë	USAID-AED	30,072.65 €
7	Sewerage in Gotovushe	SWISS Caritas	24,000.00 €
8	Asphalting of the road in B. të Poshtme-Lazaroce	Ministry for Returns	6,940.00 €
9	Hall in village Berevcë, Shtërpçë	MAPL	59,150.00 €
10	Asphalting of the road in the area of Coklar – Brod, 1 st phase	MAPL	31,850.00 €
11	School in Brod	European Commission	171,170.00 €
12	School in Sevcë	European Commission	336,930.00 €
Total:			871,919.03 €

With regards to the above listed projects there are memos and bilateral agreements. Projects no.1-10 have started and have been realized in 2010, while 11 and 12 projects have started years ago and have been completed in 2009 when people started to utilize, whereas the term guarantee was up until the end of 2010 when they transferred the ownership of property to Shterpca municipality.

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Note 5 Salaries and Wages

Përshkrimi	2010			2009	2008
	KCB €	OSR €	Total €	€	€
Payments from FFK					
Net salaries	879,018.65	0.00	879,018.65	723,372.94	636,105.31
Personal income tax	27,442.88	0.00	27,442.88	22,000.40	22,931.00
Employer pension contribution	47,719.26	0.00	47,719.26	39,826.23	35,281.87
Employee pension contribution	47,719.25	0.00	47,719.25	39,826.21	35,281.81
Payments for syndicates -0.10% te 0.50%	91.60	0.00	91.60	4.72	0.53
Payments for overtime		0.00	0.00		
Daily payments of assembly members and committees		0.00	0.00		
Meals		0.00	0.00		
Shift payments		0.00	0.00		
Contracted per diems		0.00	0.00	600.68	
Participation in assembly		0.00	0.00	10,674.67	11,373.92
	1,001,991.64	0.00	1,001,991.64	836,305.85	740,974.44
Payments from grant					
Payments with full time					
Payments for overtime					
Contracted payments					
	0.00	0.00	0.00	0.00	0.00
Total	1,001,991.64	0.00	1,001,991.64	836,305.85	740,974.44

The above table shows payroll expenses for all municipal, health, and education departments for the year ending December 31, 2010 with a total amount of € 1,001,991.64. For more details see the table below "Report of payroll based on programs."

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Note 6 Goods and Services

Description	2010			2009	2008
	KCB €	OSR €	Total €	€	€
Payments for FFK					
Travel expenses	377.20	2,968.78	3,345.98	293.60	180.00
Telecommunication	4,705.97	2,499.70	7,205.67	4,539.48	1,652.76
Contractual expenses	5,946.72	10,222.83	16,169.55	12,418.50	2,198.25
Compensations for the ongoing trials		252.00	252.00	730.00	85.00
Fixtures and Equipments	8,631.22	7,969.72	16,600.94	21,398.65	19,823.95
Other expenses (Office supplies, hygiene, health, etc.)	12,131.88	7,796.83	19,928.71	40,428.70	26,660.23
Fuel	35,426.53	14,058.91	49,485.44	47,184.47	40,439.55
Advances			0.00		
Financial Services (Security and registration of vehicles)	2,431.11	3,360.82	5,791.93	3,771.22	3,033.13
Maintenance and repair	11,478.10	27,374.02	38,852.12	27,878.77	23,528.48
Rent	6,345.00	2,245.00	8,590.00	3,750.00	
Marketing expenses	539.28	3,003.60	3,542.88	3,467.75	632.50
Representation expenses	6,074.01	2,069.15	8,143.16	21,490.17	9,411.35
	94,087.02	83,821.36	177,908.38	187,351	127,645
Payments and grants					
Travel expenses					
Telecommunication					
Contractual expenses					
Fixtures and Equipments					
Other expenses					
Fuel					
Advances					
Financial Services					
Maintenance and repair					
Rent					
Marketing expenses					
Representation expenses					
	0.00	0.00	0.00	-	-
Total	94,087.02	83,821.36	177,908.38	187,351	127,645

The above table shows expenses for goods and services for all municipal, health, and educational departments for the year ending on December 31, 2010 with a total amount of €177,908.38. From grants there is an amount of 94.087,02€, whereas from OSR 83.821,36€(this amount includes revenues in 2010 as well as revenues carried forward from 2009). For total expenditure on goods and services based on each department, see the table below “Report of payment based on each program.”

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Note 7 Utilities

Description	2010		2009	2008
	KCB €	OSR €		
Utilities paid from FFK	33,154.82		31,599.63	31,218.35
Utilities paid form Grants				
Total	33,154.82	-	31,599.63	31,218.35

The table above shows utilities expenses such as electricity, water, and waste expenses that reach an amount of 33,154.82€ and only source of government grants.

Note 8 Transfers and Subsidies

Description	2010		2009	2008
	KCB €	OSR €		
Payments for FFK				
Subsidies				
Subsidies for public entities			800.00	
Subsidies for non-public entities				
Payments for individuals		600.00	2,700.00	
Basic pension				
Disability pension				
Pensions or assistances				
Salaries for war invalids				
Payments for war victim families				
Temporary pensions of Trepça				
	-	600.00	3,500.00	-
Payments from grants				
Subsidies				
Subsidies for public entities		4,000.00		
Subsidies for non-public entities		1,000.00		
Payments for individuals				
	-	5,000.00	0.00	-
Total	-	5,600.00	3,500.00	-

The above table shows expenses for subsidies and transfers, for which 600€ are from own source revenues and 5,000€ are donations from PTK for different cultural activities in the Municipality.

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Note 9 Capital Investments

Description	2010			2009	2008
	KCB €	OSR €	Total €	€	€
Payments for FFK					
Buildings	1,104,622.18		1,104,622.18	-	-
Other construction structures			0.00	153,061.57	17,420.00
Road construction	954,159.95		954,159.95	192,299.23	74,527.00
Water system and sewerage	24,616.79	13,000.00	37,616.79	216,923.24	-
Water supply system	91,134.64		91,134.64	-	1,300.00
IT equipments			0.00	9,940.00	-
Fixtures	69,935.78		69,935.78	4,330.00	-
Other capitals	272,208.59	238.00	272,446.59	14,052.20	-
	2,516,677.93	13,238.00	2,529,915.93	590,606	93,247
Payments from grants					
Buildings				-	-
Road construction	7,130.00		7,130.00	-	-
Water system and sewerage				-	-
Water supply system				-	-
	7,130.00	0.00	7,130.00	-	-
Total	2,523,807.93	13,238.00	2,537,045.93	590,606	93,247

Find below details of the payments under the list of capital projects, funding sources and budget programs.

In the budgeted program “Mayor Office” projects realized are as follows:

Capital Investments – Grants spent based on economic classification

Economic Classification	Expenses	Commitments	Economic Codes	Project Codes
Construction of water supply in Biti e Poshtme	12,377.06		31260	51508
Construction of local road in Firajë	102,253.92		31230	71003
Construction of local road in Viqë	56,573.20		31230	71005
Composition of detailed projects	41,168.50		31900	81292
Project of emergency intervention	10,000.00		31900	81293
Reconstruction of sewage in Shtërpçë	7,470.00		31250	71010
Asphalting of the load in Sushiqë	43,392.35		31230	71574
Asphalting of local road in Brod	26,764.97		31230	81507
Total finance based on Prime Minister decision. No.03/108 - 04.02.2010	300,000.00			
Residential buildings	500,000.00		31110	81781
Construction of hospital – health facilities	500,000.00		31122	81782
Total finance based on Prime Minister decision. No.03/108 - 04.02.2010	1,000,000.00			
Cleaning of rivers in the municipal region of Shtërpçë Fund from Ministry for work and welfare	11,025.72	44.28	31900	81731
Construction of local road Coklar Brod	77,129.24	309.76	31230	81295
Asphalting of road in Firajë neighborhood manaj – req	38,680.28	38.72	31230	81732

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Construction of water supply system in Vërbeshticë	78,757.58	78.93	31260	81795
Public parking in Shtërpçë	78,234.70	58.78	31230	81797
Project of emergency intervention	29,970.00	30.00		81293
Asphalt of road Izhancë phase 1	35,815.08	2,903.92	31230	81296
Small football field in Sevcë	27,547.01		31124	81796
Renovation of the city center in Shtërpçë	45,271.91	45.30	31230	81798
Composition of detailed projects	49,920.49	79.51	31900	
Official vehicles	69,935.78	70.01	31700	81884
General grant based on budget 2010	531,262.07	3,614.93		
Composition of detailed projects	70,843.07		31900	81292
Asphalting of road Gotovushë 2, 3, 9	54,066.71		31230	81951
Asphalting of road manaj – Firajë	106,185.60		31230	81952
Asphalting of road manaj – Firajë	4,012.71		31230	81732
Asphalting of local road Firajë	4,188.31		31230	71003
Asphalting of road in Sevcë 4	9,940.66		31230	81940
Asphalting of road in Sevcë 5	9,224.95		31230	81941
Sewage in Berevce Blizu Mir	8,914.00		31250	81942
Side walks Shtërpçë-Brezovicë	146,561.31		31240	81943
Asphalting of road in Gotovushë 11	82,734.20	0.01	31230	81944
Asphalting of road in Sevcë 2	9,789.85		31230	81945
Ski center – Brezovicë	3,222.00		31120	81946
Parking 1 Ski center in Brezovicë	9,820.00		31900	81947
Parking 2 Ski center in Brezovicë	9,530.00		31900	81948
Obereke	39,930.81		31900	81949
Football Hall	22,852.17	22.87	31124	81950
Sewage in Brezovicë	8,232.79		31250	81975
Red Cross building 1	9,195.00		31120	81976
Red Cross building 2	5,712.00		31120	81977
Opening of road through forest in Vërbeshticë	9,927.00		31230	81978
Construction of road in Berevce	5,813.00		31230	81979
Expansion of the road in Berevce	7,600.00		31230	81980
Total finance based on Prime Minister decision. Nr.01/142 - 26.08.2010	638,296.14	22.88		
Total:	2,480,583.93	3,682.09		

Capital Investments – Own Source Revenues spent based on economic classification

Economic Classification	Expenses	Commitments	Economic Codes
Sewage, septic holes - Gotovushë	13,000.00		31250
Participation in the emergency intervention project		6,762.00	31900
Work and placement of metallic consoles and isolaters in Biti e P.	238.00		31900
Total:	13,238.00	6,762.00	

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Capital Investments – External donation spent based on economic classification

Economic Classification	Expenses	Commitment s	Economic Codes
Renovation of the city center in Shtërpçë	7,130.00		31230
Total :	7,130.00	0.00	

In budget program “Health-Administration” the followings are realized:

Capital Investments – Grants spent based on economic classification

Economic Classification	Expenses	Commitments	Economic Codes
Renovation of health building		22.00	31122
Reconstruction of health building in Drekoc	9,966.91		31122
Reconstruction of health building in Drekoc	9,042.82		31122
Health materials and supplies	990.09		31122
Health materials and supplies	990.09		31122
Health materials and supplies	990.09		31122
Total:	21,980.00	22.00	

In the budget program “Health-Administration” the followings are realized:

Capital Investments – Grants spent based on economic classification

Economic Classification	Expenses	Commitment s	Economic Codes
Education facilities (construction raw materials)	297.00		31121
Culture building in Drekoc	8,703.00		31121
Total:	9,000.00	0.00	

In the budget program “Health-Administration” the followings are realized:

Capital Investments – Grants spent based on economic classification

Economic Classification	Expenses	Commitment s	Economic Codes
Education facilities	168.76		31121
Installment of lights in football field in Vërbeshticë	4,945.24		31121
Total:	5,114.00	0.00	

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Note 10 Other payments

Donations and support from the central level for capital projects during 2010 (outside the 2010 budget)			
No	Project	Donor	Amount
1	IT equipment for municipality administration	USAID	24,956.38 €
2	Garbage containers - 96	USAID	23,904.00 €
3	Garbage collection trucks- 2	USAID	77,920.00 €
4	Billing software for the Municipality Company	USAID	3,390.00 €
5	Regulation of green market	USAID	81,636.00 €
6	Construction of road in Sevcë	USAID-AED	30,072.65 €
7	Sewerage in Gotovushe	SWISS Caritas	24,000.00 €
8	Asphalting of the road in B. të Poshtme-Lazaroce	Ministry for Returns	6,940.00 €
9	Hall in village Berevcë, Shtërpçë	MAPL	59,150.00 €
10	Asphalting of the road in the area of Coklar – Brod, 1 st phase	MAPL	31,850.00 €
11	School in Brod	European Commission	171,170.00 €
12	School in Sevcë	European Commission	336,930.00 €
Total:			871,919.03 €

With regards to the above listed projects there are memos and bilateral agreements. Projects no.1-10 have started and have been realized in 2010, while 11 and 12 projects have started years ago and have been completed in 2009 when people started to utilize, whereas the term guarantee was up until the end of 2010 when they transferred the ownership to Shterpce municipality.

Note 11 Taxation

Description	Notes	Original Budget 2010 € '000	Realization 2010 € '000	Realization 2009 € '000	% of total 2010	% of difference from 2009
Customs					%	%
Tax administration					%	%
Other tax					%	%
Total		-	0	0	0%	%

The municipality has no powers in the collection of these revenues.

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Note 12 Own source revenues

Description	Notes	2010	2009	2008	% of total 2010	% of difference from 2009
		€	€	€		
	12.1	12,797.50	6,110.00	1,510.00	11.2%	209.5%
Revenues from administrativ tax		9,700.00	6,025.00	4,515.00	8.5%	161.0%
Fines revenues		24,076.65	15,510.00	8,039.44	21.1%	155.2%
Revenues from licences						
Revenues from professional service licences		6,138.50	4,597.50	116.91	5.4%	133.5%
Revenues from licences for the usage of forests		5,310.58	2,597.94	4,690.17	4.6%	204.4%
Tax for public parking, camping, and recreation			145.00			0.0%
Property Tax		18,025.35	24,630.63	2,817.30	15.8%	73.2%
Construction Permits		19,835.87	419.27	955.79	17.4%	4731.0%
Tax on geodesy and cadastre		18,020.00	12,723.90	4,378.00	15.8%	141.6%
Revenues from travel documents					%	
Revenues from contributions					%	
Revenues from services					%	
Revenues from participations(health)		359.20	708.20	292.90	0.3%	50.7%
Revenues from inspections					%	
Revenues from civil aviation					%	
Revenues from bank interests					%	
Revenues from securities policy					%	
Të hyrat nga shfrytëzimi i tokës					%	
Revenues from land usage			1,007.34	840.00		
Provisions on transfers on own source revenues				-78.00		
Other receipts					%	
Revenues from last year					%	
Revenues from public services					%	
Total		114,263.65	74,474.78	28,077.51	100.0%	153.4%

The above table clearly shows that municipality has reached a record in the year 2010 with regards to own source revenues with an amount of €114,263.65. There are increases in other sectors as well which can clearly be seen from the % change compared to year 2009.

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12.1 Administrative tax revenues

Description	2010 €	2009 €	2008 €
Vehicles registration fee	1,332.00		
Taxes from driving licences			
Taksat nga dokumentet e udhëtimit			
Tax from travel documents	6,880.00	2,190.00	570.00
Road tax			
Marriage certificates		29.00	
Other certificates	4,130.00	3,807.00	940.00
Authentication of various documents	455.50	84.00	
Court revenues			
Reverse of court fees			
Total	12,797.50	6,110.00	1,510.00

Note 13 Grants and assistances

Description	2010 €	2009 €	2008 €
LOGOS-i Reconstruction of city center	7,130.00	0.00	0.00
PTK-ja Subsidy of cultural activities	5,000.00	0.00	0.00
Donor's name Project name	0.00	0.00	0.00
Total designated grants from donors	12,130.00	0.00	0.00

Switzerland LOGOS has supported this year with 80% or 7,130€ in the project for reconstruction of city center. The other 20% of this project will be completed during 2011. PTK has supported cultural activities of municipality with 5,000€.

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Note 14 Capital receipts

Nature of assets	Profits from sale		
	2010 € '000	2009 € '000	2008 € '000
Land		-	-
Buildings		-	-
Infrastructure		-	-
Workshop		-	-
Equipments		-	-
Total	0	0	0

Municipality has not recorded any activity related to this part.

Note 15 Privatization fund

NPSH	Profits from Privatization		
	2010 € '000	2009 € '000	2008 € '000
NPSH #1		-	-
NPSH #2		-	-
NPSH #3		-	-
NPSH #4		-	-
NPSH #5		-	-
Total	0	0	0

Municipality has not recorded any activity related to this part.

Note 16 Other

Receipt type	2010 € '000	2009 € '000	2008 € '000
Lottery games deposit			
Regulatory committee deposit			
Deposits of the Justice Ministry			
Other Deposits			
↓			
Total	0	0	0

Municipality has not recorded any activity related to this part.

Note 17 to note 23

Different from Notes 11-16, the following notes have a sole purpose of clarifying the **material** difference in column **D**. The cash based IPSAS requires a clarification of material differences. Depending on the difference level, not all appropriation categories need to give a clarification, therefore there may be a need for adjustment to the numeric system. Once the differences of an appropriation category are clarified, a summary of the difference nature constituting the difference in that category shall be sought.

Explanation for Note 12, the amount of € 32,352.65 represents the amount of budget that has exceeded the amount of own source revenues budgeted;

Explanation for Note 17, the amount of € 47,456.36 is the difference between the annual budget and expenditure of wages and salaries. This means that they have a surplus budget because certain programs such as health has not managed to employ all necessary staff as prepared by the budget. In addition, in the firefighting department there has been an allocation of addition budget for wages in the name of "Volatility in the workplace," where the number of employees declared is higher than actual.;

Explanation for Note 18, the amount of € 7,603.89 presents:

- unspent amount of goods and services from the grant in the amount of € 395.98,
- unspent amount of goods and services from OSR in value of € 3,304.18
- unallocated amount of € 3,903.73 from OSR.

Explanation for Note 19, the amount of € 3.18 represents:

- unspent amount for utilities from grant with an amount of € 3.18.

Explanation for Note 20, the amount of € 4,400 represents:

- the amount of unspent subsidies from OSR in value of € 3,436.95 and
- unallocated amount of € 963.05 from OSR.

Explanation for Note 21, the amount of € 49,099.59 represents:

-the unspent amount of capital investment from grant is an amount of € 38,633.00. This includes the four capital projects that are not paid as a result of technical errors in a customer account which has been inactive. The source of funding for these projects was the Government Decision with No.01/142 of 26.08.2010 where the amount of € 2 million are dedicated to Municipality of Shtrepca and this amount will be allocated to this municipality based on dynamic payments for the municipal projects in 2010 or 2011 based on declaration of Minister of Finance, Ahmet Shala. For further details see Note 25 - Data from SIMFK;

- the unspent amount of capital investment from grant in an amount of € 3,704.59 and
- the unspent amount of capital investment from OSR in an amount of € 6,762.00.

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Section 12 Reporting obligations under LPFMA

Section 13 Note 25 Statement of Outstanding Invoices (Liabilities) of Budget Organization

a. Data from SIMFK

2010

Purchase order	Purchase amount	Economic Code	Description	Supplier	Amount paid	Amount accepted (goods received)	Amount not paid
65510944	9,776.00	31123	Renovation of the garden in the St. Dimitrije Church in Biti e P.	PP DAVID INZHINJ ERING	0.00	9,776.00	9,776.00
65510945	9,927.00	31123	Renovation of the St. Teodor church place in Biti e P.	PP DAVID INZHINJ ERING	0.00	9,927.00	9,927.00
65510952	8,950.00	31260	Reconstruction of the water supply system in Biti e E.	PP DAVID INZHINJ ERING	0.00	8,950.00	8,950.00
65510953	9,980.00	31230	Reconstruction and expansion of the road in Biti e E. (shtrirja e rrugës)	PP DAVID INZHINJ ERING	0.00	9,980.00	9,980.00
Total	38,633.00					38,633.00	38,633.00

These are the four capital projects that are not paid due to technical error in a customer account that was inactive. Funds for these projects are budgeted, allocated, committed, and paid on December 24, 2010 which was the last day that Treasury is able to pay, thus leading to no space for corrections. The source of funding for these projects was the Government Decision with No.01/142 of 26.08.2010 where the amount of € 2 million are dedicated to Municipality of Shtrepca and this amount will be allocated to this municipality based on dynamic payments for the municipal projects in 2010 or 2011 based on declaration of Minister of Finance, Ahmet Shala.

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a. Other obligations

Liabilities for goods and services as at 31.12.2010.

2010

Invoice Date	Invoice number	Economic Code	Payment Date	Supplier	Description	Reasons for not paying	€
				Memorandumi	Projekti I pyllëzimit		440.00
25.10.2010	73/10	14310		Perper	drekë zyrtare		90.50
22.02.2010	05/10	14310		Perper	drekë zyrtare		25.00
24.03.2010	33/10	14310		Perper	drekë zyrtare		14.20
07.09.2010	64/10	14310		Perper	drekë zyrtare		22.50
16.04.2010	35/10	14310		Perper	drekë zyrtare		210.00
17.02.2010	02/10	14310		Perper	drekë zyrtare		230.00
28.12.2010	90/10	14310		Perper	drekë zyrtare		50.00
28.12.2010	88/10	14310		Perper	drekë zyrtare		362.00
'09.2010	87/10	14310		Perper	drekë zyrtare		45.50
05.01.2011	86/10	14310		Perper	drekë zyrtare		43.80
26.12.2010	83/10	14310		Perper	drekë zyrtare		68.70
23.12.2010	81/10	14310		Perper	drekë zyrtare		33.90
14.12.2010	79/10	14310		Perper	drekë zyrtare		77.90
03.12.2010	78/10	14310		Perper	drekë zyrtare		35.60
02.12.2010	77/10	14310		Perper	drekë zyrtare		28.10
26.11.2010	70/10	14310		Perper	drekë zyrtare		32.50
02.10.2010	69/10	14310		Perper	drekë zyrtare		112.00

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30.09.2010	68/10	14310	Perper	drekë zyrtare	164.80
01.09.2010	66/10	14310	Perper	drekë zyrtare	87.00
31.12.2010	89/10	14310	Perper	drekë zyrtare	131.00
30.11.2010	76/10	14310	Perper	drekë zyrtare	37.00
21.12.2010	80/10	14310	Perper	drekë zyrtare	24.00
31.12.2010	Sevce	14310	Produkt Import	drekë zyrtare	271.00
03.12.2010	Jazince	13141	Aleksandar Nesic	medit zyr jasht vendit	302.40
03.12.2010	Strpce	13141	Biljana Boskocevic	medit zyr jasht vendit	302.40
03.12.2010	Brod	13141	Raif Bajrami	medit zyr jasht vendit	302.40
03.12.2010	Brod	13143	Raif Bajrami	shpenz tj. jasht vendit	61.15
20.11.2010	1134/10	14220	Epoka e Re	publikimet	464.00
27.11.2010	1135/10	14220	Epoka e Re	publikimet	464.00
14.12.2010	1243/10	14220	Epoka e Re	publikimet	232.00
23.10.2010	1055/10	14220	Epoka e Re	publikimet	812.00
26.10.2010	1056/10	14220	Epoka e Re	publikimet	696.00
28.08.2010	1051/10	14220	Epoka e Re	publikimet	406.00
29.09.2010	1054/10	14220	Epoka e Re	publikimet	464.00
28.09.2010	1053/10	14220	Epoka e Re	publikimet	580.00
23.07.2010	548/2010	14220	Epoka e Re	publikimet	232.00
03.12.2010	069/12	14230	Ured Premijera	shpenzimet e inf. Publik	36.00
10.11.2010	274/2010	13610	InterGraf	furnizim për zyre	30.50
22.12.2010	286/2010	13610	InterGraf	furnizim për zyre	322.50
03.11.2010	48/2010	13780	Liria petrol	derivate për vetura	2,177.06
03.11.2010	48/2010	14010	Liria petrol	mirëm.automjeteve-antifriz	105.00
02.12.2010	54/2010	13780	Liria petrol	derivate për vetura	1,715.37
03.11.2010	56/2010	13780	Liria petrol	derivate për vetura	273.60
05.01.2011	57/2010	13780	Liria petrol	derivate për vetura	2,678.04
05.01.2011	60/2010	13780	Liria petrol	derivate për vetura	228.92
25.11.2010	20/2010	13620	Popovic d.o.o	ushqim dhe pije	56.48
24.12.2010	10-210-FR-618	14010	Eurogoma	mirëmbajtja dhe riparimi I veturave	590.40
30.12.2010	10-210-FR-624	14010	Eurogoma	mirëmbajtja dhe riparimi I veturave	234.00
24.12.2010	1296	13470	NTP Anton	shërbimet teknike	275.00
14.08.2010	0149/10	14020	E-Connect	mirëmbajtja e objekteve	60.00
18.05.2010	1/10	14032	Luboteni	pastrimi dhe mirëmbajtja e rrugëve	34,983.00
31.12.2010	31/13/2010	13470	Popovic d.o.o	Shër tekn - dhurata vit	1,100.00
10.06.2010	5/1 2010	13330	P T K	shpenzimet postare	747.46
25.11.2010	5242010	14040	DataProgNet	mirëmbajtja e teknologjisë inform	10.00
31.12.2010	12/2010	14310	SUR Picerija Tina	dreka zyrtare	267.14
25.10.2010	65/10	14310	Perper	dreka zyrtare	37.60
07.07.2010	50/10	14310	Perper	dreka zyrtare	34.40
31.12.2010	84/10	14310	Perper	dreka zyrtare	110.80
27.10.2010	27102010-1	13610	NTP Abetare	furnizim për zyre	326.50
27.10.2010	27102010-2	13610	NTP Abetare	furnizim për zyre	55.00
24.11.2010	24112010-3	13610	NTP Abetare	furnizim për zyre	72.20
04.10.2010	71/10	14310	Perper	dreka zyrtare	53.60
24.12.2010	82/10	14310	Perper	dreka zyrtare	79.80
30.12.2010	85/10	14310	Perper	dreka zyrtare	68.30
02.12.2010	55/2010	13780	Liria petrol	derivate për vetura	178.11
05.01.2011	59/2010	13780	Liria petrol	derivate për vetura	2,069.00

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11.10.2010	7012	13630	NTP Fidani	furnizim medicin...	23.94
09.11.2010	7753	13630	NTP Fidani	furnizim medicin...	39.73
01.07.2010	01072010-1	13610	NTP Abetare	furnizim për zyra	32.00
31.12.2010	31/12/2010	13470	Popovic d.o.o	Shër tekn - dhurata vit	170.00
02.12.2010	56/2010	13780	Liria petrol	derivate për vetura	86.25
05.01.2011	58/2010	13780	Liria petrol	derivate për vetura	184.45
31.12.2010	31/13/2010	13470	Popovic d.o.o	Shër tekn - dhurata vit	50.00
10.11.2010	72/10	14310	Perper	dreka zyrtare	133.50
24.11.2010	24112010-6	13610	NTP Abetare	furnizim për zyre	19.00
15.10.2010	25/10	13620	PPSasa	ushqim dhe pije	20.50
23.11.2010	69/10	14023	Loreona	mirëmbajtja e shkollave	403.60
23.11.2010	72/11	14023	Loreona	mirëmbajtja e shkollave	266.00
03.11.2010	51/2010	13780	Liria petrol	derivate për vetura	216.60
05.01.2011	61/2010	13780	Liria petrol	derivate për vetura	76.70
GJITHSEJ OBLIGIMET PËR MALLRA DHE SHËRBIME NGA 2010-god. Më 31.12.2010.					58,653.40

ZYRA E KRYETARIT OBLIGIMET PËR MALLRA DHE SHËRBIME NGA 2009 - 31.12.2010.

13460	Ndarja e parceles në Brod	370.00
13470	Transporti	450.00
13502	Telefonat mobil.	900.00
13503	Kompjuter, lap top	2,789.00
13505	Aparati për fotokopje	365.00
13509	Pajisjet tjera	1,713.98
13610	Furnizimi i zyrave	3,721.17
13620	Ushqimi dhe pijet	2,926.60
13640	Furnizime pastrimi	401.00
13670	Vendim për asgjesimin e qenave...	400.00
13780	Karburant për vetura	4,501.47
13951	Sigurimi i automjeteve	302.76
14010	Mirembajtja dhe riparimi i automjet	122.50
14020	Mirëmbajtja e ndërtesës	2,139.37
14030	Sanimi i rrugës	1,345.60
14040	Mirëmbajtja e teknologjisë informa	250.00
14210	Reklamat dhe konkurset	2,031.28
14220	Publikimet	382.80
14310	Drekë zyrtare	1,333.50
22200	Vendim për ndihmë	600.00
GJITHSEJ ZYRA E KRYETARIT OBLIGIMET PËR MALLRA DHE SHËRBIME NGA 2009 - 31.12.2010.		27,046.03

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Mayor office - Obligations for capital investments from 2010
31.12.2010.

Project Code	Project title	VLERA
81295	Asphalting of the road in Brod - Coklar Phase I (Unpaid obligation for a part of anex)	2,671.40
81795	Water supply - Vërbeshticë anex contract	7,883.65
81797	Public parking Shtërpçë - anex contract	7,794.00
81798	Renovation of the center Shtërpçë - anex contract	5,183.00
81798	Renovation of the center in Shtërpçë	1,759.00
	Asphalting of the road in - Biti e P/ Lazarocë	252.00
81884	Purchase of vehicles, anex contract	2,591.12
81950	Electricity installation of the football hall	512.00
Total:		28,646.17

Obligations of the health department for goods and services from 2008 - 31.12.2010.

Description	Amount	Code
New year gifts	216.00	13470
Total	216.00	

Obligations of the health department for goods and services from 2009 - 31.12.2010.

New year gifts	200.00	13470
Total	200.00	

Obligations of the education department for goods and services from 2009 - 31.12.2010.

Hardware for IT	466.00	13504
Office supply	1,790.41	13610
Fuel for vehicles	2,049.12	13780
Schools maintenance	1,358.10	14023
Total	5,663.63	

Administration obligations for utilities from 2010.

Electricity	49,423.78	13210
Water	380.28	13220
Waste	2,372.04	13230
PTK - fixed telephone	1,344.29	13330
Total:	53,520.39	

Administration obligations for utilities from 2009 - 31.12.2010.

Waste Drekoc	276.00	13230
Total	276.00	

Overall obligations from goods and services, and utilities

174,221.62 €

ID Category	Category	2010 € '000
Totali		0

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Note 28 Summary of carried forward Own Source Revenues

						2010
Invoice		Economic		Payment		
Date	UNIREF	Code	Description	Date	Debtor	€
			Annual Tax for Businesses			29,716.00
Total						29,716.00

Based on evidence that manager of annual business tax possesses, business debts from previous years seem to be € 29,716. We have requested information from Department of Property Tax – MEF for obligations of taxpayers, but they were unable to provide us such information due to technical errors, based on their reasoning. We have not based this opportunity in the software that our officials have access to.

Note 29 Summary of carried forward Own Source Revenues

		€	€	€
	Own Source Revenues carried forward from the previous year	34,119.27	14,962.17	25,274.72
Plus	Own Source Revenues received this year in accordance with note12	114,263.65	74,474.78	28,077.51
	Available total for appropriation in the current year	148,382.92	89,436.95	53,352.23
Minus	Appropriated amount for this year			
	Wages and Salaries			
	Goods and Services	83,821.36	49,833.00	27,090.06
	Utilities			
	Transfers and subsidies	600.00		
	Capital expenses	13,238.00	5,484.68	11,300.00
	Other	- 97,659.36	- 55,317.68	- 38,390.06
	Carried forward amount	50,723.56	34,119.27	14,962.17

The table above clearly shows movement of cash with source the own source revenues from 2008 until the amount that has been carried forward in 2011. As you can see at the beginning of the year 2010 the amount of € 34,119.27 is the amount that has been carried forward from 2009. During 2010, municipality has achieved a record in the collection of Own Source Revenues of amount of € 114,263.65 compared to previous year, from which € 97,659.36 have been spent, thus leading to an amount of € 50,723.56 to be carried forward in 2011.

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Section 16. Note 29: Contingent Liabilities

<u>Natyra e detyrimeve kontingjente</u>	<u>Arsyeja për detyrime</u>	<u>2010</u> <u>€</u>	<u>2009</u> <u>€</u>	<u>2008</u> <u>€</u>
C.nr.30/2009.Paditës,Zeqir Murseli	Paga si kryetar fshati	1,800.00		
C.nr.32/2009.Paditës,Milosh Stojković	Paga si kryetar fshati	1,800.00		
C.nr.37/2009.Paditës,Čedomir Djordjević	Paga si kryetar fshati	1,800.00		
C.nr.40/2009.Paditës,Sasha Simonović,	Paga si kryetar fshati	1,800.00		
C.nr.31/2009.Paditës,Vlasta Milosavljević	Paga si kryetar fshati	1,800.00		
C.nr.39/2009.Paditës,Zlatko Bogajceviq	Paga si kryetar fshati	1,800.00		
C.nr.38/2009.Paditës,Branislav Stanković	Paga si kryetar fshati	1,800.00		
C.nr.2/2009,Paditës, Sasha Staletović,	komp. per largim nga puna	0.00		
C.nr.1/2009,Paditës,Sami Selimi	komp. per largim nga puna	0.00		
C.nr.13/2010, paditës Slobodan Filipović	komp. Ne projekte kapitale	9,779.00		
Gafurr Halili dhe Qerim Halili				
C.nr.31/2010	pagesa si deputet nga viti2009	1,140.00		
Projekti I ndërtimit të spitalit	Diferenca nga kontrata bazë	882,171.18		
Projekti I tri ndërtesave	Diferenca nga kontrata bazë	1,016,281.25		
Projekti I ndërtimit të spitalit	Aneks kontrata	265,000.00		
Projekti I tri ndërtesave	Aneks kontrata	346,674.00		
Totali		2,533,645.43	0.00	0.00

From the list above we have the followings:

1. from municipal legal officer for cases that go through courts:

- 7 contender for wages as village mayors, two former municipal worker seeking compensation, a claimant for compensation for project design of municipal sewage and two former deputy members of the municipality to pay for the time when they were members.

2. from the procurement office there is a contract for construction of hospital with an amount of € 1,382,171.18, where the allocation and payment is only € 500,000.00, thus € 882,171.18 are needed in order to complete this project. Furthermore, there is another project to build three buildings with an amount of € 1,516,281.25 for which the allocation and payment in 2010 is only € 500,000.00, thus € 1,016,281.25 are needed in order to complete the project. As shown in the table, these two projects have their annex contract, and therefore the management of the municipality should be involved in order to acquire resources from central funds to finance the completion of these projects.

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VII

Section 17. Additional Reports

Note 30 Reconciliation between Original and Final Budget Appropriations

Division Category	Authorized changes by LPFMA					Final Budget Appropriation KFMIS €	Changes to the Original Budget €
	Original Budget Division (Budget Law) €	Change under Section 29 law no. 03/L-048 €	Section 30 law no. 03/L- 048 €	Change under Section 31 law no. 03/L-048 €	OSR Changes €		
Inflows							
Taxation							0.0%
Own Source Revenues	66,911.00				15,000.00	81,910.00	22.4%
Grants and Aid	1,645,958.00			2,136,395.79		3,782,353.79	129.8%
Capital Receipts							0.0%
Privatization Fund							0.0%
Other							0.0%
	1,712,869.00	0.00	0.00	2,136,395.79	15,000.00	3,864,263.79	125.6%
Outflows							
Wages and Salaries	958,542.00			90,906.00		1,049,448.00	9.5%
Goods and Services	126,214.00			59,298.27		185,512.27	47.0%
Public services	32,120.00			1,038.00		33,158.00	3.2%
Transfers and Subsidies	5,000.00	5,000.00				10,000.00	100.0%
Capital Expenditures	590,993.00	1,995,152.52				2,586,145.52	337.6%
Privatization Fund							0.0%
Other							0.0%
Total	1,712,869.00	2,000,152.52	0.00	151,242.27	0.00	3,864,263.79	125.6%

In order to clarify in more details changes in the final budget from the initial budget, we have prepared a table for each of the five economic categories of expenditure classification based on which the following changes have resulted:

Description of changes in wages and per diem budget in 2010	
Amount	Description of changes
958,542	Initial Budget
90,906	The increase in wages is done in a linear way for the Civil Servants for 30 Euros, wages of 7 employees of forestry; wages of 8 employees of QPS; additions of 107 Euros for firefighters for danger at work; 44 Euros meal addition for Health workers; and 30% increase in wages of Health employees.
1,049,448	Final Budget
90,906	Increase in wages and per diem

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Description of changes to the budget of goods and services during 2010	
Amount	Description of Changes
126,214.00	Initial Budget
34,119.27	Own Source Revenue carried forward from 2009
-3,080.00	For finance of RTK
3,498.00	Transfer of powers for Forestry
12,000.00	Transfer of powers for Social Services
-2,239.00	Withdrawal of performance in health with review
15,000.00	Increase in the planed level of Own Source Revenues
185,512.27	Final Budget
59,298.27	Increase in the budget of goods and services

Description of changes to the budget of utilities during 2010	
Amount	Description of changes
32,120	Initial Budget
-2,400	Transfer in MPB for payment of registrar certificates
3,000	Transfer of powers for Social Services
438	Transfer of powers for Forestry
33,158	Final Budget
1,038	Increase in the budget of utilities

Description of changes to the budget of subsidies and transfers during 2010	
Amount	Description of changes
5,000	Initial Budget
5,000	Donation from PTK for culture and sport activities
10,000	Final Budget
5,000	Increase in the budget of subsidies and transfers

Description of changes to the budget of capital investments during 2010	
Amount	Description of changes
590,993.00	Initial Budget
1,300,000.00	Based on Government Decision No.03/108 të 04.02.2010.
11,070.00	Implementation of employment strategy Project from Ministry of Labor and Social Welfare
7,130.00	Donation from LOGOS Switzerland (80%) for the project "Renovation of Shtërpçë Centre"
676,952.52	Based on Government Decision No.01/142 të 26.08.2010.
2,586,145.52	Final Budget
1,995,152.52	Increase in the budget of capital investments

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Budget Execution Report

		Original Budget	Final Budget	Payments	Progress	Progress
Description	Note	Law No. 03/L-177	SIMFK		in, %	in, %
a		b	c	d	e=d/b	f=d/c
Total Payments	1+2+3+4	1,746,988.27	3,864,263.79	3,755,700.77	214.98%	97.19%
Payments from the General Grant	1	1,645,958.00	3,736,104.52	3,645,911.41	221.51%	97.59%
Wages and Salaries		958,542.00	1,049,448.00	1,001,991.64	104.53%	95.48%
Goods and Services		84,303.00	94,483.00	94,087.02	111.61%	99.58%
Utilities		32,120.00	33,158.00	33,154.82	103.22%	99.99%
Subsidies and Transfers						
Capital Investments		570,993.00	2,559,015.52	2,516,677.93	440.75%	98.35%
Payments from Own Source Revenues	2	66,911.00	81,910.00	63,541.11	94.96%	77.57%
Wages and Salaries						
Goods and Services		41,911.00	56,910.00	49,703.11	118.59%	87.34%
Utilities						
Subsidies and Transfers		5,000.00	5,000.00	600.00	12.00%	12.00%
Capital Investments		20,000.00	20,000.00	13,238.00	66.19%	66.19%
Payments from Own Source Revenues carried forward	3	34,119.27	34,119.27	34,118.25	100.00%	100.00%
Wages and Salaries						
Goods and Services		34,119.27	34,119.27	34,118.25	100.00%	100.00%
Utilities						
Subsidies and Transfers						
Capital Investments						
Payments from designated Grants	4	0.00	12,130.00	12,130.00		100.00%
Wages and Salaries						
Goods and Services						
Utilities						
Subsidies and Transfers			5,000.00	5,000.00		100.00%

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Report of payments under programs

Description	Note	Mayor Office	Assembly Office	Administration	Budget & Finance	SHP, MC & Emergency
a		b	c	d	e	f
Total Payments	1+2+3+4	2,617,736.42	55,602.23	127,985.06	44,611.61	29,094.37
Payments from the General Grant	1	2,554,063.35	55,602.23	84,636.97	42,111.61	29,094.37
Wages and Salaries		66,897.65	55,602.23	67,349.97	40,312.61	26,864.64
Goods and Services		6,581.77		3,498.00	1,799.00	1,729.73
Utilities				13,789.00		500.00
Subsidies and Transfers						
Capital Investments		2,480,583.93				
Payments from Own Source Revenues	2	17,424.82	0.00	43,348.09	2,500.00	0.00
Wages and Salaries						
Goods and Services		3,586.82		43,348.09	2,500.00	
Utilities						
Subsidies and Transfers		600.00				
Capital Investments		13,238.00				
Payments from Own Source Revenues carried forward	3	34,118.25	0.00	0.00	0.00	0.00
Wages and Salaries						
Goods and Services		34,118.25				
Utilities						
Subsidies and Transfers						
Capital Investments						
Payments from designated Grants	4	12,130.00	0.00	0.00	0.00	0.00
Wages and Salaries						
Goods and Services						
Utilities						
Subsidies and Transfers		5,000.00				
Capital Investments		7,130.00				

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Report of payments under programs

Description	Note	Local Office	Economic Develop	Geodesy and Cadastre	Urbanism	Administration - Health
		g	h	i	j	k
Total Payments	1+2+3+4	3,231.38	20,608.82	21,614.66	28,840.90	56,737.39
Payments from the General Grant	1	3,231.38	20,608.82	21,614.66	28,840.90	56,469.19
Wages and Salaries		2,461.57	18,874.82	19,302.75	26,528.91	16,315.75
Goods and Services		769.81	1,734.00	2,311.91	2,311.99	10,323.44
Utilities						7,850.00
Subsidies and Transfers						
Capital Investments						21,980.00
Payments from Own Source Revenues	2	0.00	0.00	0.00	0.00	268.20
Wages and Salaries						
Goods and Services						268.20
Utilities						
Subsidies and Transfers						
Capital Investments						
Payments from Own Source Revenues carried forward	3	0.00	0.00	0.00	0.00	0.00
Wages and Salaries						
Goods and Services						
Utilities						
Subsidies and Transfers						
Capital Investments						
Payments from designated Grants	4	0.00	0.00	0.00	0.00	0.00
Wages and Salaries						
Goods and Services						
Utilities						
Subsidies and Transfers						
Capital Investments						

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ANNUAL REPORT
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Report of payments under programs

Description	Note	Health-QKMF	Health-QPS	Health- Performance	Education - Administration	Primary Education
		i	ii	m	n	nj
Total Payments	1+2+3+4	57,849.28	34,192.01	0.00	28,869.88	454,539.87
Payments from the General Grant	1	57,849.28	34,192.01	0.00	28,869.88	454,539.87
Wages and Salaries		57,849.28	19,192.07		19,120.06	409,734.44
Goods and Services			11,999.94		1,734.00	35,805.43
Utilities			3,000.00		8,015.82	
Subsidies and Transfers						
Capital Investments						9,000.00
Payments from Own Source Revenues	2	0.00	0.00	0.00	0.00	0.00
Wages and Salaries						
Goods and Services						
Utilities						
Subsidies and Transfers						
Capital Investments						
Payments from Own Source Revenues carried forward	3	0.00	0.00	0.00	0.00	0.00
Wages and Salaries						
Goods and Services						
Utilities						
Subsidies and Transfers						
Capital Investments						
Payments from designated Grants	4	0.00	0.00	0.00	0.00	0.00
Wages and Salaries						
Goods and Services						
Utilities						
Subsidies and Transfers						
Capital Investments						

MUNICIPALITY OF SHTERPCE
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Report of payments under programmes

Report of payments under programmes

Description	Note	Secondary Education	Total
		o	b+c+d+e+f+g+h+i+j+k+l+ll+m+n+nj+o
Total Payments	1+2+3+4	174,186.89	3,755,700.77
Payments from the General Grant	1	174,186.89	3,645,911.41
Wages and Salaries		155,584.89	1,001,991.64
Goods and Services		13,488.00	94,087.02
Utilities			33,154.82
Subsidies and Transfers			
Capital Investments		5,114.00	2,516,677.93
Payments from Own Source Revenues 2009	2	0.00	63,541.11
Wages and Salaries			
Goods and Services			49,703.11
Utilities			
Subsidies and Transfers			600.00
Capital Investments			13,238.00
Payments from Own Source Revenues carried forward	3	0.00	34,118.25
Wages and Salaries			
Goods and Services			34,118.25
Utilities			
Subsidies and Transfers			
Capital Investments			
Payments from designated Grants	4	0.00	12,130.00
Wages and Salaries			
Goods and Services			
Utilities			
Subsidies and Transfers			5,000.00
Capital Investments			7,130.00

MUNICIPALITY OF SHTERPCE
ANNUAL REPORT
For the year ended December 31, 2010

Report of payments under programmes

Description	Economic Code	Budget&Finances	Urbanism	Geodesy&Cadastre	Admin.&Personnel	Health	Total Receipts
a		b	c	d	e	f	f=b+c+d+e+f
Total Payments		64,583.08	19,835.87	18,020.00	11,465.50	359.20	114,263.65
Property tax	40110	18,025.35					18,025.35
Annual business tax	50007	6,138.50					6,138.50
Public parking	50008						0.00
Construction permits	50009		19,835.87				19,835.87
Geodesy&Cadastre	50012			18,020.00			18,020.00
Vehicle Registration	50001	1,332.00					1,332.00
Birth Certificates	50013						0.00
Marriage certificates	50014						0.00
Other taxes	50016				4,130.00		4,130.00
Taxes on the verification of documents	50017						0.00
Other administrative taxes	50019				455.50		455.50
Tax for participation in tender	50020				6,880.00		6,880.00
Tax on licensing activities	50201						0.00
Participation in health	50409					359.20	359.20
Collected revenues from central level							0.00
Penalties in traffic - direct		9,700.00					9,700.00
Penalties in traffic - through the court		24,076.65					24,076.65
Revenues from forestry		5,310.58					5,310.58

MUNICIPALITY OF SHTERPCE
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Payments from the General Fund		Economic Classification					
		Wages and Salaries	Goods and Services	Utilities	Subsidies and Transfers	Capital Expenses	Total
Functional Classification							
	Social Protection	12,653.04					12,653.04
	General Public Services	238,470.06	108,040.70	16,789.00	600.00	2,493,821.93	2,857,721.69
	Civil Defense & Emergency						0.00
	Public Order and Safety	26,864.64	1,890.71	500.00			29,255.35
	Issues / Economic Relations	18,874.82	1,734.00				20,608.82
	Environmental Protection						0.00
	Housing and Community Amenities	45,831.66	4,817.80				50,649.46
	Health	74,858.03	10,591.64	7,850.00		21,980.00	115,279.67
	Recreation, Culture and Religion						0.00
	Education	584,439.39	50,833.53	8,015.82		14,114.00	657,402.74
	TOTAL	1,001,991.64	177,908.38	33,154.82	600.00	2,529,915.93	3,743,570.77

Payments from Donors Fund		Economic Classification					
		Wages and Salaries	Goods and Services	Utilities	Subsidies and Transfers	Capital Expenses	Total
Functional Classification							
	Social Protection						0.00
	General Public Services				5,000.00	7,130.00	12,130.00
	Civil Defense & Emergency						0.00
	Public Order and Safety						0.00
	Issues / Economic Relations						0.00
	Environmental Protection						0.00
	Housing and Community Amenities						0.00
	Health						0.00
	Recreation, Culture and Religion						0.00
	Education						0.00
	TOTAL	0.00	0.00	0.00	5,000.00	7,130.00	12,130.00

MUNICIPALITY OF SHTERPCE
ANNUAL REPORT
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Section 12. Number of employees

Department	No. of employees in the budget law 03/L-105	Actual no. of employees in the beginning of 2009		Actual no. of employees in the end of 2009	
		Full time	Part time	Full time	Part time
Total:	364	309	0	330	0
Mayor&Assembly	14	9		12	
Adm.&Personnel	20	15		18	
Budget&Finances	14	11		13	
Public services&Eme	7	5		7	
ZLK	1	0		0	
Cadastr&Geodesy	5	4		5	
Urbanism	7	5		7	
Health-Admin.	4			4	
Health-Primary care	23	20		18	
Education- Admin.	3	3		3	
Primary Education	198	160		164	
Secondary Education	68	77		79	

The number of employees of the Administration program budget has increased by 7 as a result of the transfer of seven employees from the central level of forestry. Also Centre for Social Work is a new service which has passed from central to local level management for 7 workers.

APPENDIX 1

MUNICIPALITY OF SHTËRPCE

MANAGEMENT LETTER
For the year ended December 31, 2010

**Municipality of Shtërpce
Republic of Kosova**

Management Letter for the year ended December 31, 2010

Dear Mr. Bratislav Nikolic
Mayor of Municipality of Shtërpce

In planning and performing the audit of the Financial statements of the Municipality of Shtërpce (hereinafter referred to as "Shtërpce") as of December 31, 2010, in accordance with International Standards on Auditing, on which we have issued our report dated June 3, 2011, we have considered the Municipality's accounting and internal control systems only to the extent necessary to determine our audit procedures necessary for the purpose of expressing an audit opinion on the financial statements and not to determine the adequacy of internal controls for management purposes. Such consideration would not necessarily disclose all internal control matters that might be material weaknesses under standards established by the International Federation of Accountants.

Weaknesses in internal controls and certain other accounting matters, which have come to our attention as a result of our audit procedures, have been included in the letter. Other weaknesses in the internal control system may exist and may have not come to our attention as a result of our audit. In addition, we have also included comments, which, while not considered as internal control weaknesses, represent issues that need to be considered.

We would like to take this opportunity to thank management and staff for the co-operation and assistance shown during our audit.

This report is intended solely for the information and use of the Management of the Municipality and the Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these comments with you further, and if desired, to assist you in implementing any of the recommendations.

Yours faithfully,

Deloitte Kosova Sh.p.k.
Prishtina, Kosova

June 3, 2011

MUNICIPALITY OF SHTËRPCE
APPENDIX 1 - MANAGEMENT LETTER
For the year ended December 31, 2010

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MUNICIPALITY OF SHTËRPCE
APPENDIX 2 - DIFFERENT FORMS OF AUDIT OPINIONS UNDER INTERNATIONAL
STANDARDS ON AUDITING

Categorization of audit findings by risk severity

High	Action that is considered imperative to ensure that Municipality is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
Medium	Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
Low	Action that is considered desirable and should result in enhanced control or better value for money.

MUNICIPALITY OF SHTERPCE
APPENDIX 1 - MANAGEMENT LETTER
For the year ended December 31, 2010

1. FOLLOW UP OF ISSUES RAISED IN PRIOR YEARS

We have included below relevant prior years recommendations and a short comment on their status based on information obtained during the course of our review.

I. Accounting and financial reporting process (continued)		
Observation/Recommendation	Initially reported	Implementation status in 2010
1.1 The municipality does not maintain separate register for its fixed assets. In addition there is no evidence of performing verification of physical existence of the assets as of 31 December 2007 and no reconciliation of municipality's books to physical count has been made. We recommend management to design and implement adequate procedures that would require: - Detailed property record for each fixed asset - Property identification number to be assigned and affixed to each asset - Capitalization policy under which disbursements less than a specified Euro amount would be expensed. In addition and as a minimum, a property ledger should contain the following information for each fixed asset: - Acquisition date - Location - Number assigned by the municipality (tag number) - Serial number - Description and function - Cost basis - Details of depreciation, including methods of computation for both tax and financial reporting purposes - Anticipated useful life - Maintenance cost subsequent to the date of acquisition - Date of disposal - Financing source - Expense voucher reference number (CPO #). Furthermore and in order to provide adequate safeguarding of its assets, the management of the municipality has to perform regular and at least on an annual basis, physical verification of all property items. Related accounting records have to be reconciled with the results of such physical counts.	2007 2008 2009	The recommendation has been partially implemented. The municipality has appointed a commission for physical counting of fixed assets as well as a commission for evaluation of these fixed assets. However, as of the last date of our audit these commissions have not concluded their work and we were not provided with a satisfactory register of fixed assets belonging to the Municipality of Shterpce, which would contain all required information as per Administrative Instruction 21/2009. The management should ensure that the fixed assets register is completed as soon as possible and it contains all the required information as per Administrative Instruction 21/2009. Management response
Risk Classification		
High Risk		

MUNICIPALITY OF SHTËRPCE
APPENDIX 1 - MANAGEMENT LETTER
For the year ended December 31, 2010

Observation/Recommendation	Initially reported	Implementation status in 2010
1.2 The municipality did not prepare a report of all contracts completed during 2010 and 2009 ranked on the basis of their values (minimal, medium and high values) and in accordance with article 5 from Regulations on Procurement Procedures. In addition we found no evidence that the municipality management has prepared and submitted to the Public Procurement Agency ("PPA") its final procurement plan for the year 2010 and 2009. We recommend the management to comply with the respective laws and regulations in relation with preparation of required reports and budgets.	2007 2008 2009	The recommendation has not been implemented. The Municipality has not submitted to PPA the final procurement plan for year 2010. Management response
Risk Classification Medium Risk		
1.3 During our testing performed on payroll we have identified 146 Serbian nationality employees in Education Directory and other 7 also Serbian nationality employees in Fire department who do not have proper valid contract agreement signed. To all of them is disbursed regular monthly salary on their bank accounts, but none of them is signing the receiving or acceptance form. Further we have not been provided with the supporting documents or any kind of evidence such as signed timesheets based on which we can be assured that those individuals are really working or existing.	2008 2009	The recommendation has not been implemented. Still the majority of employees from Serbian nationality are not signing their contracts and their payroll lists, even though their salaries are distributed to their bank accounts. Management response
Risk Classification High Risk		

MUNICIPALITY OF SHTERPCE
APPENDIX 1 - MANAGEMENT LETTER
For the year ended December 31, 2010

Observation/Recommendation	Initially reported	Implementation status in 2010
1.4 During our audit we have noted that there was no monthly reconciliation performed between departments which collect the own source revenues such as: Property Tax Department, Geodesy Department, Urbanism Department etc, with the Own source revenue Officer from Finance and Budget Department, the person who has access in Free Balance System and is responsible to reconcile and clarify any difference which arise between Municipality records and Free Balance.	2008	The recommendation has not been implemented. Even though the Own Source Revenue Officer has sent a memo to all departments requesting from them to meet him and perform reconciliation of revenues this reconciliation was not performed on a regular monthly basis. Management response
Risk Classification High Risk		
Observation/Recommendation	Initially reported	Implementation status in 2010
1.5 During our testing of employee files we identified that for two selected employees there are no valid contracts in their files covering the period in which they were paid their salaries. Also for two other employees we noted that their contracts are not updated to reflect increase of their salaries for 10%.	2009	Partially implemented. We did not identify any case when there was a missing employee contract; however the employee contracts for several employees are not updated to reflect the increase of gross salaries for 30 Euros for all Municipality employees based on Government Decision No. 11/126 dated 26 May 2010. Management response
Risk Classification High Risk		
Observation/Recommendation	Initially reported	Implementation status in 2010
1.6 During our review of procurement files we have identified several cases where no penalties were charged to the contractors who failed to perform their obligations within the deadlines as set in the contracts signed between them and the Municipality of Shterpce. We recommend to the Municipality to charge penalties to all contractors who fail to perform their works timely and in accordance with the provisions as set in the contracts signed between them and the Municipality of Shterpce.	2009	Not implemented Management response
Risk Classification High Risk		

2. CURRENT YEAR FINDINGS

2.1. PERSONNEL

2.1.1. SALARIES AND WAGES

Observation

During our audit we have identified that salaries of the political staff in the municipality including: The Mayor, Deputy Mayors, Chairs and Deputy Chairs of Municipal Assembly are not disbursed in conformity with the Administrative Instruction 16-2008 on Payment of Political Staff in Municipalities. According to this instruction the salary of the Mayor should be 900 Euro since Shterpce Municipal Assembly has less than 21 members (precisely 19 members). However the actual salary is EUR 990 or 10% higher and consequently also the salaries of Deputy Mayors and Chair and Deputy Chairs of Municipal Assembly are 10% higher than they should be. We were not provided with any satisfactory explanation regarding these differences.

Impact

Payment of higher salaries than those authorized as per Administrative Instruction 16-2008 results in overstatement of payroll expenses for the Municipality, and furthermore is not in compliance with Administrative Instruction 16-2008 on Payment of Political Staff in Municipalities.

Recommendations

The Municipality should ensure that compensation for all its staff is based on applicable laws and Administrative Instructions that are currently in force in the Republic of Kosova.

Risk classification

Medium risk.

Management response

2.2. NON COMPLIANCE WITH PUBLIC PROCUREMENT LAW

2.2.1. PROCUREMENT PROCEDURES INITIATED WITHOUT PRIOR COMMITMENT OF FUNDS IN FREE BALANCE

Observation

During our testing of operating and capital expenses of the Municipality of Shterpce we have noted that for several procurements for capital investments and operating expenses conducted by the Municipality the date when the contract was signed with the supplier is earlier than the date in which the funds were appropriated in the Free Balance system. This means that Municipality has published tenders and selected successful operators without prior commitment of funds in the Free Balance system.

Below we are mentioning only a few cases when this has occurred:

1. For the project "Construction of three buildings in Shterpce" the commitment of funds was done on 18 August 2010 while the contract with the company was signed on 20 August 2010.
2. For the project "Construction of health center in Shterpce" the commitment of funds was done on 18 August 2010 while the contract with the company was signed on 24 September 2010.
3. For the projects "Supply with fuel for municipality vehicles", "Supply with office supplies", "Maintenance of municipality vehicles", "Maintenance of IT equipment" and "Preparation of detailed projects" there was no commitment of funds in the Free Balance System at all.

Impact

Non-commitment of funds in Free Balance system prior to initiating procurement procedures and signature of contract without first ensuring that funds are available to pay for the liabilities that may result from those contracts is a non-compliance with article 9.2 of the Law No. 03/L-241 on Public Procurement in Kosova.

Recommendation

We recommend to the management of the municipality to strictly follow and to fully comply with the requirements of the applicable laws in Kosova, especially with provisions set out in the Law No. 03/L-241 on Public Procurement in Kosova.

Risk classification

High Risk

Management response

2.2.2. PROCUREMENT CONTRACTS SIGNED IN EXCESS OF AVAILABLE FUNDS

Observation

During our testing of procurement procedures for capital expenses of the Municipality of Shterpce we have noted that there have been several cases when contracts have been signed with the companies in amounts that are above the approved and available amounts of funds as per approved budget of the Municipality.

Below we are mentioning only a few cases when this has occurred:

1. In the project "Construction of three buildings in Shterpce" the amount as per approved budget was EUR 500,000 while the contracted amount was EUR 1,862,955. The Municipality has signed a contract which is EUR 1,362,955 higher than the approved budget (available funds).
2. In the project "Construction of health centre in Shterpce" the amount as per approved budget was EUR 500,000 while the contracted amount was EUR 1,647,171. The Municipality has signed a contract which is for EUR 1,147,171 higher than the approved budget (available funds).
3. In the project "Asphalting of the road in Manaj - Firaje" the amount as per approved budget was EUR 38,719 while the contracted amount was EUR 212,387. The Municipality has signed a contract which is for EUR 173,668 higher than the approved budget (available funds).

Furthermore we have also noted that the Municipality has entered into other obligations in the total amount of EUR 174,223 which together with the obligations from points 1 and 2 above make up the total outstanding obligations to EUR 2,684,349 as at 31 December 2010.

Impact

Such practices expose the Municipality to high risk of not being able to meet the liabilities deriving from such contracts as well as to possible litigations from the contractors.

Recommendation

We would like to recommend to the Municipality Management to ensure that no procurements are conducted and no contracts are signed in amounts that are higher than amounts allocated as per the final approved budget of the Municipality.

Risk classification

High Risk

Management response

APPENDIX 2

Different forms of Audit Opinions under International Standards on Auditing

Unqualified opinion

An unqualified opinion should be expressed when the auditor concludes that the financial statements are presented fairly, in all material respects, in accordance with the guidelines set out in the Law No. 03/L-048 on Public Financial Management and Accountability which specifies that the financial statements should be prepared under International Public Sector Accounting Standard (“IPSAS”), “Financial Reporting under the Cash Basis of Accounting”.

Emphasis of Matter Paragraph

On certain circumstances, an auditor’s report may be modified by adding an emphasis of matter paragraph to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph does not affect the auditor’s opinion. The paragraph would preferably be included after the paragraph containing the auditor’s opinion but before the section on any other reporting responsibilities, if any. The emphasis of matter paragraph would ordinarily refer to the fact that the auditor’s opinion is not qualified in this respect.

Qualified Opinion

A qualified opinion should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being ‘except for’ the effects of the matter to which the qualification relates.

Disclaimer of Opinion

A disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

Adverse Opinion

An adverse opinion should be expressed when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.